FINANCIAL TIMES

World Business Newspaper http://www.FT.com

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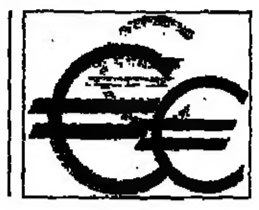

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Gibraltar offers Spain joint use of colony's airport

Gibraltar's chief minister Peter Caruana offered Spain the shared use of the British colony's airport in a concession which could ease the long-running dispute with the Spanish government. **Page 2; Editorial Comment, Page 13**

Heavy fighting in Kosovo
Heavy fighting was reported in Serbia's Kosovo province after the latest failure by international envoys to arrange a ceasefire between government forces and ethnic Albanian separatists. **Page 3**

Red Cross seeks legal protection
The Canadian Red Cross Society is to seek bankruptcy protection against claims of more than C$5bn in lawsuits filed by 22,000 Canadians infected with tainted blood in the 1980s. **Page 6**

Demand for rice expected to soar
South Asia will experience its strongest demand for rice and other cereals over the next two decades, the International Rice Research Institute said. **Page 4**

Action call on ozone layer
Environment officials meeting in Geneva called for tougher action to protect the ozone layer, including use of controls on the trade in banned substances. **Page 14**

Six die in Turkish blast
An explosion believed to have been caused by a gas leak ripped through Istanbul's crowded spice market, killing six people and wounding scores more. Turkish police said the blast toppled part of the monumental gateway to the famous Egyptian Bazaar.

Red Sea oil dispute heard
An arbitration tribunal in London began hearing arguments in a dispute between Eritrea and Yemen over ownership of the Hanish islands, a potentially oil-rich area in the Red Sea. **Page 7**

Nigeria toll rises to 45
Fresh violence erupted in Lagos, Nigeria's largest city, over the death in detention of opposition leader Moshood Abiola. Newspapers said up to 45 people had died in two days of unrest. **Page 7**

US tax powers curbed
The US Congress, with overwhelming majorities in both houses, passed legislation that offers US taxpayers more protection against the Internal Revenue Service and shifts the burden of proof from the taxpayer to the IRS in many cases. **Page 6**

Forest fires ravage Sardinia
Italian firefighters worked to put out blazes that have destroyed huge areas of forest on the island of Sardinia and in parts of southern Italy. Some 600 hundred tourists were evacuated from a Sardinian resort near Cagliari.

Arrest request on Bouterse
Dutch officials asked authorities in Trinidad and Tobago to arrest and extradite Surinam's former dictator Desi Bouterse, who is reportedly visiting the islands.

Japanese make fewer trips abroad
The number of Japanese travelling abroad this summer fell to its lowest level in 18 years, down from 3.2m to 3.1m. **Page 4**

Berbers protest Arabic law
Thousands of demonstrators marched through Algiers to protest at legislation imposing Arabic as Algeria's sole official language. Many marchers were Berbers, who make up 30 per cent of the population and who want official status for their native language. **Page 7**

BUSINESS NEWS

Crédit Lyonnais sells to Dresdner and Anglo-Irish

Crédit Lyonnais, the French bank, announced a trimming of its international operations with the sale of its Austrian subsidiary to the Anglo-Irish Bank and its activities in Denmark and Sweden to Dresdner Bank of Germany. **Page 16**

Quebecor Printing, North America's second largest commercial printer, precipitated a cross-border takeover battle in Scandinavia by launching a SKr1.77bn ($219m) white knight bid for Sweden printers Tryckinvest i Norden. **Page 16**

Moody's Investors Service, the US credit rating agency, says Japanese banks and foreign financial groups will be the main beneficiaries of radical changes taking place in Japan's growing market for mutual funds. **Page 15**

Wolford, the Austrian hosiery manufacturer, saw its shares fall by Sch44.2 to Sch785 after disclosing a steep reduction in pre-tax profits to Sch173m ($107m) in the year to April 30 from Sch280m. **Page 15**

Asia's currency markets could be destabilised if China is denied the right to continue normal trading with the US, senior White House officials warned. **Page 14**

Heller, the German machine tool manufacturer, is considering further expansion at its UK plant to boost output of a device made in Britain mainly for export. **Page 8**

General Electric, the world's most valuable company with a stock market value above $300bn, reported a 13 per cent increase in after-tax income for the latest quarter. **Page 15**

Malaysia's copper demand shrank about 60 per cent in the first half of 1998 compared with a year earlier. Malaysia imported 160,000 tonnes of raw copper cathodes in 1997. **Commodities, Page 24**

Japanese companies have shown increased interest in the industrialised West Midlands region of England over the past year, according to the area's development agency. **Page 8**

Endemol, the Dutch TV production company, has completed the first stage of its international strategy by taking a 50 per cent stake in France's Groupe ASP. **Page 16**

Banking in Russia has been shaken by two high-profile bankruptcies, boding ill for a sector already jittery about a possible devaluation of the rouble. **Page 16**

Most US companies expect to have finished upgrading computer systems to deal with the "millennium bug" by the end of 1998. **Page 6; Millennium bugs the Mittelstand companies, Page 3**

Dow Jones, the business information company, reported solid growth from its new, narrower range of publishing ventures during the latest quarter. **Page 15**

Mobil and Monument Oil of the UK were due to sign Turkmenistan's biggest oil development deal today in Ashgabad. **Page 4**

Creative Publishing of the UK announced a merger with Hallmark Cards of the US in a deal worth £188m ($310m). **Page 15**

World Equity Markets
The latest trends and data from more than 50 national markets at a glance
Page 33

French bank chief hits at London link to Frankfurt

Agreement between stock markets described as a 'bad blow for the euro'

By Robert Graham in Paris and Andrew Fisher in Frankfurt

The French financial establishment yesterday attacked the way the Frankfurt and London stock markets concluded their ground-breaking agreement to form a single European platform to trade equities.

Michel Freyche, the head of the French bankers' association, described the deal unveiled on Tuesday as "a bad blow for the euro" and an "unfortunate precedent". He claimed it was an abuse of Frankfurt's position as the centre of the eurozone through its choice as the site of the European Central Bank.

His comments underscore the sense of hurt in Paris at being cut out of a key development in the concentration of European financial markets. The first step in the Frankfurt-London alliance envisages setting up a common access package to allow the top 300 EU companies to be traded on either exchange.

"The choice of Frankfurt as the seat of the ECB on German insistence confers de facto a competitive advantage on this financial centre, but equally imposes a number of duties and obligations to respect the rules," Mr Freyche said.

"If the capital of the euro is not scrupulous in observing its duties of transparency and EU ecumenism we have every right to feel we have been cheated."

Of the agreement itself, he said: "We don't know much about the accord and one of the main reproaches we have is the clandestine nature of the negotiations."

In Paris there is anger over Frankfurt's willingness to embrace London after the French bourse had been in talks with the Germans on a series of linkages.

The French finance ministry is understood to have had no more than 36 hours warning of the agreement. But yesterday the ministry sought to play down the impression that Paris had lost out. "This has been a good publicity coup for Frankfurt and London but we must look carefully if there is real content," said one official.

Officials pointed to recent legislation giving Paris the necessary instruments to be a fully competitive financial marketplace. They also said the Frankfurt-London agreement should not necessarily override existing co-operation projects under discussion with Frankfurt, including talks between Matif, the French derivatives market, and its German counterpart, Deutsche Terminborse.

Werner Seifert, chief executive of the Frankfurt exchange, which includes the DTB, yesterday tried to calm tempers, saying: "The alliance between London and Frankfurt will go forward. But parallel to this, other exchanges will be kept informed. We will share the results of our research with them. Then we shall see if we share the same beliefs."

The DTB chairman stressed there was a critical minimum size for the European market. "London can't go it alone, Frankfurt certainly cannot and nor can Paris. Nor can London and Paris manage it on their own, or just London and Frankfurt. So we will try to get other bourses involved."

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London-Frankfurt link, Page 16

DuPont slips 8% on warning of big fall in earnings

By Tracy Corrigan in New York

DuPont, the US chemicals group, after a slide in June revenues, yesterday warned investors it was expecting a substantial fall in second quarter earnings. It blamed factors including the weather, the Asian crisis and the General Motors strike.

The announcement contributed to generally negative sentiment in the US stock market, with the Dow Jones Industrial Average dropping 75 points in early trading. DuPont's shares dropped nearly 8.5 per cent to $70⅞ in morning trading.

Second quarter earnings, due to be published on July 22, were likely to fall 10-15 per cent below the $0.99 per share reported for the same period a year ago, the company said.

Charles Holliday, president and chief executive officer of DuPont, described as "totally unacceptable" the company's disappointing second quarter performance and the management's failure to see the slide coming sooner.

He said the performance in April and May was "about as expected" but in June the company experienced a "significant drop" in revenues. "Unless we see an improvement in energy prices, we are unlikely to meet our objective of a fifth consecutive year of record earnings."

At a press conference, he said half of the fall was due to the "sudden shift" in its crop protection business and half to a combination of factors, including lower demand for automotive parts as a result of the General Motors strike, the lower oil price and lower demand in the textile apparel industry.

DuPont's projected fall in earnings comes as a blow for the recently appointed Mr Holliday, and for investors, who had been enthusiastic about the company's shift away from basic chemicals and towards life sciences.

Graham Copley, chemicals analyst at Sanford C Bernstein, the US brokerage, is still convinced DuPont's underlying strategy is sound. "The strategy is absolutely right, but the market had got euphoric and the stock was being overvalued."

DuPont's crop protection business in North America was hurt by the weather and by competitive price pressures. Farmers in the Midwest skipped some crop sprayings because of persistent rain, Mr Holliday said, adding that competitive pricing pressures should stabilise.

However, some analysts see it as a sign that pressures in the sector are mounting as a result of expansion by a number of companies including Zeneca, Novartis and Monsanto.

Mr Holliday said the company remained committed to selling Conoco, its oil business, through an initial public offering, despite weakness of the oil price.

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World stocks, Page 34

Irish nationalist demonstrators protest outside Downing Street as UK prime minister Tony Blair met representatives of the unionist Orangemen. David Trimble, Northern Ireland's first minister, warned the search for a solution over protestant marches was "running out of time". Extra troops were expected in the province yesterday. Page 8 AP

MOSCOW SEEKS EXTRA FINANCIAL HELP AS MARKETS DETERIORATE

Russia requests up to $20bn in overseas aid

By John Thornhill in Moscow

Russia is seeking additional international financial support of up to $20bn – much more than originally sought – because of the deterioration in the country's financial markets, a senior government official said yesterday.

The official was hopeful a deal could be announced as early as Sunday as long as the details could be finalised in talks with John Odling-Smee, chief Russia expert of the International Monetary Fund, who is expected to arrive in Moscow today.

The Russian government was seeking $10bn from the IMF and up to $1.5bn from the Japanese government, the official said. It was also aiming to receive additional funding from the World Bank and commercial lenders.

"If all this happens we can be close to $20bn from all sources of financing," he said.

Anatoly Chubais, Russia's chief negotiator, had previously suggested the government was seeking a $10bn-$15bn financial package.

But the continuing fall in Russia's financial markets has drained the central bank's reserves and increased the threat of a rouble devaluation.

Moody's, the credit rating agency, this week estimated the government would need up to $20bn to convince the markets it had sufficient reserves to ward off currency instability.

The IMF, which has been stretched by the turmoil in Asia, has said its capacity to lend to Russia is limited and could not provide $10bn to any one country in the current environment. It also said the size of its lending is determined by the strength of the borrower's economic programme.

Michael Carter, head of the World Bank office in Moscow, said the complex talks between the international financial institutions and the Russian government were proceeding in a constructive manner: "We have made good progress but we still have some issues to resolve."

Other participants in the talks thought the $20bn target figure was optimistic. "The Russians understandably want to have as big a war-chest as possible to bolster the central bank's reserves and convince investors they will never need to use it," one western economist said. "But $20bn is certainly more than I have been hearing.

"The real issue is not so much how much money they get but how strong is the government's reform programme going to be. I hope that investors will focus more on this," he added.

Sergei Kiriyenko, prime minister, will discuss bilateral assistance from Japan when he visits Tokyo this month. But the Russian government is hopeful it could receive up to $1.5bn over the next two years. Additional support could be forthcoming from other members of the Group of Seven leading industrialised countries, anxious to avoid political instability in Russia.

Hans van den Broek, the European Union's foreign affairs commissioner, in Moscow yesterday, praised Russia's anti-crisis programme and said EU member states would help with tax administration, public debt management, and technical support.

Russian financial markets were further unsettled yesterday by rumours, later denied, that President Boris Yeltsin had fallen ill.

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Eurozone, Page 27

WORLD MARKETS

STOCK MARKET INDICES		
New York: Lunchtime		
Dow Jones Ind Av	9125.14	(-45.53)
NASDAQ Composite	1942.00	(-6.61)
Europe and Far East		
CAC40	4313.16	(-23.77)
DAX	5906.77	(-16.37)
FTSE 100	5969.7	(-38.9)
Nikkei	16446.95	(-84.02)
US Lunchtime RATES		
Federal Funds	5½%	
3-mth Treas Bills: Yld	5.05%	
Long Bond	10?½	
Yield	5.61%	
OTHER RATES		
UK: 3-mo Interbank	7¾%	(7½%)
UK: 10 yr Gilt	110.5204	(109.830)
France: 10 yr OAT	105.6	(105.39)
Germany: 10 yr Bund	109.39	(109.16)
Japan: 10 yr JGB	110.7	(110.74)
NORTH SEA OIL (Argus)		
Brent Dated	$11.82.5	(11.68)

GOLD		
New York: Comex		
	$291.7	(293.3)
London:		
	$291.05	(292.35)
EXCHANGE RATES		
Dollar		
New York: Lunchtime		
£	1.6317	
DM	1.82975	
FFr	6.1385	
SFr	1.5417	
Y	141.295	
London:		
£	1.6304	(1.6372)
DM	1.8292	(1.8179)
FFr	6.131	(6.094)
SFr	1.5409	(1.5267)
Y	141.27	(139.73)
Tokyo Close		Y 138.7
Sterling		
DM	2.9822	(2.9762)

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WORLD NEWS

EUROPE

Paris ends Rwanda genocide inquiry

By Robert Graham in Paris

A parliamentary inquiry into alleged French links with the genocide in Rwanda carried out by the Hutu regime in 1994 concluded its main hearings yesterday, after a four month investigation.

The commission's findings were not expected to be published until the autumn, and further evidence would be taken from US and United Nations officials in Washington and New York later this month. It was also possible commission members would travel to the Great Lakes region of Africa to obtain more information.

The commission was set up in early March in response to press reports alleging that successive French governments had supplied military aid to the Hutu regime which continued even after the genocide against Tutsis began in the spring of 1994.

This is the first time the National Assembly has approved an inquiry of this kind.

Until now, close parliamentary scrutiny of French foreign and military policy conducted under the aegis of the president of the republic has been taboo. As a result, the operation of the commission and the pending conclusions have aroused intense interest.

The general tone of the questioning has been polite, but an important precedent has been established. The principle has been accepted that former ministers, government advisers, senior civil servants and members of the military and the intelligence service can be called to account.

In all, the commission has listened to 88 witnesses since hearings began on March 3. These include 34 members of the military and 20 politicians, as well as academics and representatives of non-governmental organisations.

By agreement with the government, civil servants testified in closed session. But former ministers, including ex-prime ministers Edouard Balladur and Alain Juppé, gave evidence in open hearings, apparently on prior undertakings they could merely read statements and not be subjected to an inquisition.

The closest questioning was that of Jean-Christophe Mitterrand, son of the late president, who had a hand in the Elysée's behind-the-scenes African policy.

But even he was largely unchallenged, and it remained to be seen whether the commission can paint a convincing picture of French policy towards Rwanda, avoiding suggestions of a whitewash. The bulk of the evidence in the public domain has served to justify French support for the Hutu regime without compromising Paris in the horrors of the genocide.

Foreigners warned they won't escape Russia's tax blitz

Tax inspectors are stepping up efforts to raise the number of audits after a shortfall in revenues. **Astrid Wendlandt** reports

As he watched his investments melt under the heat of Russia's financial crisis, one European fund manager drew comfort from the thought that at least nothing worse could happen.

That was before he received a surprise visit from three tax inspectors, who politely announced that his fund was due for an audit.

Perhaps pushing his luck, he persuaded them to come back the next day, arguing that his office had a serious plumbing problem. Within the following three hours, he swiftly managed to move all papers and computers to a friend's office. Evidently, he did not have a clear conscience.

Boris Fyodorov, head of the Federal Tax Service, knows about people like him. He also intends to squeeze them to help plug the holes in the government's budget which have led to Russia's most severe financial crisis since President Boris Yeltsin's re-election in 1996.

The government's brash new tax knight who has vowed to wage a merciless battle against those who dodge their taxes says he is not picking on foreigners per se. On the other hand, he has acknowledged that he will not spare them.

"I'm interested in foreigners who are living in Russia," Mr Fyodorov, a former investment banker, said at a Credit Suisse First Boston conference two weeks ago. "I hope that foreign residents are more disciplined than the Russians ... but someone has to show the example."

Tax officials said they have audited twice as many foreign companies in the past six months as they did during the same period last year. "We have intensified our efforts," said a Moscow tax service official.

Word of the tax officials' muscular campaign has spread rapidly among the estimated 100,000 foreigners living in Moscow. Consulting firms said they have recently received many calls from worried expatriates, hungry for advice on how to file their tax statements.

"We have had a lot of panicked foreigners come to our office in the past month," said Scott Antel, a tax specialist at Arthur Andersen in Moscow. However, he stressed that the level of compliance among foreigners is usually very high, particularly among those working for multinational companies.

Other analysts said such a conscientious attitude contrasted sharply with the more cavalier approach some foreigners had towards taxes during the early years of Russia's transition. Günter Spielmann from Ernst & Young in Moscow remembered foreigners boasting about how easy it was to squirrel away their revenues.

"They [foreigners] would describe to you in public the way in which they avoided taxes," he said.

Those days are over, and the Russian tax web is increasingly tightening around would-be tax evaders. Soon, companies may lose one of their most reliable tax dodging channels, the Russia-Cyprus double taxation treaty.

Earlier this month, Sergei Kiryenko, Russia's prime minister, called for "the termination of agreements with international off-shore zones", such as the one between Russia and the Mediterranean island. Also, fooling Russian tax inspectors is becoming increasingly difficult as they become more professional and sophisticated.

"They ask very specific and sometimes difficult questions," said a Moscow-based western distributor of imported spirits, currently being audited by the tax inspectorate. According to audited companies, tax inspectors are polite and courteous but do not always warn about their visits.

Yet foreign companies are more concerned by the high level of taxes than by the timing of audits. Reforms of the tax system are currently in the works in the Duma, the lower house of parliament, as part of the anti-crisis package presented last week by the government, but tax specialists said the chances of their prompt and full implementation are slim.

One oft-cited grievance is the limited amount of costs companies could use to reduce their tax base. For example, advertising and training, usually tax deductible items in western countries, are not recognised as such by Russian law. As a result, initially reasonable tax rates rapidly sky-rocket to unaffordable highs, explained Mr Spielmann.

Foreign companies suspect they are a good source of cash for the Russian taxman because their accounts are clearer and their assets more liquid than those of most Russian companies. Collecting taxes from Russia's countless companies relying on barter is, certainly, a more challenging task.

The current crackdown on foreign tax evaders could help tax collectors improve their aggregate performance, albeit marginally.

In 1997, the government collected only 65 per cent of planned tax revenues. In May, it was 30 per cent less than expected, according to Russian finance ministry figures. Yet one bright light in that grim picture is that even if the IMF does not come up with the funds necessary to fill the holes in the Russian budget, wealthy foreign companies and individuals will surely help.

Rough deal follows hard currency deal: tax police arrest a group of car dealers in Moscow AP

Gibraltar offers Spain use of airport

By Tom Burns in Madrid

Peter Caruana, Gibraltar's chief minister, has offered Spain the shared use of the British colony's airport in a concession which could ease the long-running dispute with the Spanish government. The offer to the Madrid government came ahead of talks with Abel Matutes, Spain's foreign minister.

During a private visit to Madrid, Mr Caruana said he was prepared to agree on joint management of the airport and also to waive immigration controls on incoming passengers who directly enter Spain. "I want three Iberia [Spanish airline] flights a day landing at Gibraltar and I would be delighted if there were six," he said.

In London, a British foreign office spokeswoman said the department had not been consulted on the proposal. She added: "We can accept any arrangements regarding the use of the airport that are acceptable to both sides."

Mr Matutes issued an invitation for bilateral talks in Madrid two months ago and Gibraltar's leader said he was waiting for a date to be fixed. The bid for direct dialogue marked a change in Spain's long-standing policy of discussing the vexed Gibraltar problem solely with the UK and Mr Caruana said he expected the talks to be "civilised, friendly and constructive".

Mr Caruana's offer suggested that Gibraltar is feeling the strain of isolation. The colony handled only a limited number of flights arriving from the UK, and Spain maintained a ban on military aircraft using its airspace when flying to and from Gibraltar.

Mr Caruana criticised an agreement last week between the UK and Spain that allowed Gibraltar to be used as a communications centre during Nato exercises. The agreement fell far short of initial UK demands that Spain lift its restrictions in order to obtain a sub-regional command in the area. "We paid a minimum price to let Spain into [Nato's] command structure."

Mr Caruana's airport offer appeared to be a reversal of previous Gibraltar policy over the landing strip which was built during the second world war on a narrow isthmus, linking the Rock to Spain, that Madrid regarded as neutral territory usurped by Britain.

In 1987 Gibraltar's 15-member legislature blocked a deal on the dual use of the RAF-run airport that had been agreed by London and Madrid. However, a senior Spanish official said yesterday it was not clear whether Mr Caruana was proposing to lift Gibraltar's veto or to seek a new arrangement. "We reached an agreement 11 years ago and all Gibraltar has to do is to implement it," the official said. "There is no cause to renegotiate it and it would be quite surreal to do so."

The 1987 deal, which envisaged a Spanish terminal on the Spanish side of the frontier, was unanimously rejected by the Rock's House of Assembly because it gave Spain a significant foothold on the isthmus. Mr Caruana stressed he was proposing joint use of the airport and not shared sovereignty in the isthmus area.

The 1987 agreement followed a Spanish threat to block a European Commission directive on air transport deregulation because of the dispute over the colony's airport.

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Rom Telecom sale delayed until autumn

By Kevin Done, East Europe Correspondent

The privatisation of Rom Telecom, the Romanian state-owned telephone operator, has been delayed until the autumn as a result of the political turbulence surrounding the recent change of government.

The sale of a 35 per cent stake in the telecoms utility is the centrepiece of the country's slow-moving privatisation programme and was originally supposed to have been completed this month.

The new government which took office in April under Radu Vasile, prime minister, is struggling to pull Romania out of deep recession. It has committed itself to accelerating privatisation and industrial restructuring and to attracting more foreign direct investment. However, the landmark privatisation of Rom Telecom, the biggest sell-off yet attempted by Romania, has been held up by conflicts within the bureaucracy and by the transfer of responsibility for the deal to the State Ownership Fund and the privatisation ministry from the communications ministry.

In May the government announced that preliminary bids had been submitted by a consortium comprising Telecom Italia and KPN Telecom of the Netherlands, as well as by OTE, the Greek telecoms operator. It said that the winner would be selected this month after the submission of final binding offers.

However, the State Ownership Fund intervened in the final stage of the deal this week by issuing a new tender notice seeking expressions of interest from other potential investors.

Letters of intent must be submitted by next Wednesday, and the agency has set a new deadline of September 30 for final offers. The SOF has been widely regarded as an obstacle in the privatisation process in Romania. "They have approached privatising Rom Telecom in the same way they privatise a bakery shop," said a foreign banker in Bucharest.

The Romanian government has been advised on the Rom Telecom privatisation by Goldman Sachs, the leading US investment bank, and it is thought unlikely that any new bidders will emerge by next week.

Financial analysts said the eventual sell-off is expected to value Rom Telecom at between \$3.5bn and \$4bn.

FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850, Fax ++49 69 596 4481. Represented in Frankfurt by J. Walter Brand, Colin A. Kennard as Geschäftsführer and in London by David C.M. Bell, Chairman, and Alan C. Miller, Deputy Chairman. The shareholder of the Financial Times (Europe) GmbH is Pearson Overseas Holdings Limited, 3 Burlington Gardens, London, W1X 1LE. Shareholder of this company is Pearson plc, registered at the same address.
GERMANY:
Responsible for Advertising content: Colin A. Kennard. Printer: Hürriyet International Verlagsgesellschaft mbH, Admiral-Rosendahl-Strasse 3a, 63263 Neu Isenburg. ISSN 0174 7363. Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
FRANCE:
Publishing Director: P. Maraviglia, 42 Rue La Boetie, 75008 PARIS. Telephone (01) 5376 8254, Fax (01) 5376 8253. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN 1148-2753. Commission Paritaire No 67808D.
SWEDEN:
Responsible Publisher: Bradley P. Johnson. Telephone +46 8 791 2345. Printer: AB Kvällstidningen Expressen, PO Box 6007, S-550 06, Jönköping.

Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
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ECB squares up to finance ministers

By Wolfgang Münchau in Frankfurt

The European Central Bank, barely one month old, is already warming up for its first public confrontation. The new monetary authority sent a clear message to European governments this week that their fiscal policies were inappropriate.

Wim Duisenberg, the ECB president, said that governments in the euro-zone must aim to run balanced budgets. Countries with particularly high levels of national debt should be running surpluses. He said he had shown finance ministers the "yellow card" – what soccer referees do as a final warning before a player is sent off.

Mr Duisenberg's remarks amounted to an unprecedented intervention in a domain which national governments have traditionally guarded with great jealousy. More important, they raise the issue of whether a highly centralised monetary policy can co-exist with decentralised fiscal policy.

Mr Duisenberg and his colleagues had no legal mechanism to enforce change in national budgets. But he has already warned that fiscal profligacy will have consequences for monetary policy. This meant that the ECB could set interest rates at a higher level than would otherwise be necessary.

Europe's monetary establishment has rallied around Mr Duisenberg. Yesterday, Hans Tietmeyer, president of Germany's Bundesbank, said the euro-zone could be in danger of running an inappropriate fiscal-monetary mix if EU countries failed to reduce their structural budget deficits.

The European Commission, the EU's executive, gave a similar warning this week when it published a forecast showing that euro-zone budget deficits will remain stuck at about 2 per cent of gross domestic product for several years.

The timing of these warnings was not coincidental. The Dutch and the Germans have been drafting national budgets this week, and the French will follow soon.

Neither Mr Duisenberg nor Mr Tietmeyer pointed a finger at specific countries. But Mr Tietmeyer acknowledged that the problem was more urgent for countries with high levels of debt – Italy, Belgium and Ireland – and countries with relatively high short term interest rates – Italy and Ireland again, but also Spain and Portugal.

Fiscal profligacy will have consequences for monetary policy

The clear implication was that Italy and Belgium should run large surpluses if they wanted to stand a chance of reducing their debt, about 120 per cent of the size of their economies.

Senior European officials fear that governments may, as they did in the late 1980s, squander the growth dividend, instead of devoting the extra tax income on structural reforms of public finances and social security systems.

They look enviously at the US, where President Bill Clinton's deficit-cutting budget plan in 1993 laid the foundation for a period of sustained growth.

The ECB's governing council thought that Europe stood at the beginning of a strong and broad-based economic recovery. Such an economic environment would call for a combination of relatively tight fiscal policies and neutral monetary policy, as long as there are no inflationary pressures. But a fiscal policy that was too relaxed presented the monetary authority with a dilemma.

While the logic for tighter fiscal policies is compelling, there are some uncertainties.

A French official criticised the Commission's forecasts of structural deficits. "They just pulled this figure out of a hat. They could have chosen any other figure," he said.

His criticism may seem exaggerated, but it contained an element of truth: European economic and monetary union is such a profound change that it may render time-honoured economic relationships obsolete.

The first strange statistical signals have already surfaced. The ECB announced this week that M1, a narrow measure of money, has grown at an annual rate of 10 per cent in April. M3, a broader measure, went up by 6 per cent.

Although M3 remained – just – within the target, the figures are unusually high given the virtual absence of inflationary pressures. The ECB already found itself in the situation of having to "explain away" the importance of monetary data even before it will formally adopt monetary targeting as its main policy tool.

The ECB has been relatively lucky so far: economic convergence among EU countries has proceeded well. Inflation is virtually absent, economic growth is picking up and unemployment is at last beginning to fall. But luck can eventually run out – in central banking as in soccer.

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NEWS DIGEST

HOLOCAUST VICTIMS

Sweden says it may have received Jewish gold

Sweden admitted for the first time yesterday that it had acquired gold from Nazi Germany which might have been stolen from Holocaust victims.

An independent commission, appointed by the government to probe wartime dealings with Hitler's Germany, strongly criticised the Riksbank, the central bank, for accepting gold which it knew might contain assets confiscated from Jews.

The commission said the Riksbank governor in 1944 had knowledge that a shipment of 1.5 tonnes of gold from the German Reichsbank could have included looted material. It noted that the then government had full insight into the Riksbank's dealings.

"With today's eyes it can be said that the moral aspects should have been weighed openly, broadly and seriously... Sadly that does not seem to have happened," said Rolf Wirten, the commission's head. **Greg McIvor, Stockholm**

EUROPEAN UNION LAW

Belgium faces fine over votes

The Belgian government called an urgent meeting yesterday to discuss its response to a European Court of Justice ruling that would force it to change its constitution to allow residents from other EU countries to vote in local elections.

Belgium could face sizeable fines if it does not adopt a 1994 European Union directive as national law within the next few months. It is the only EU country not to have done so before the original January 1996 deadline, and was found guilty by the Luxembourg-based court yesterday of "failing in its obligations".

Under EU law, it could be fined up to BFr7.5m (\$200,000) a day after a given deadline.

The issue was particularly sensitive for multilingual Belgium, which had a high proportion of non-Belgian residents in certain areas, particularly in Brussels. Dutch-speaking political parties are concerned that, since foreigners were more likely to speak French than Dutch, their participation in elections to the communes, or local authorities, could distort the results. **Neil Buckley, Brussels**

POLISH RESTRUCTURING

Coal miners threaten strike

A dozen Polish coal mining trade unions threatened yesterday to strike over the government's programme to overhaul the industry, which involved cuts in jobs and production.

"The unions do not agree with dismissals, freezing wages of active miners, lowering production and liquidating mines which still have resources," said Jan Kisielinski, head of the Miners' Trade Union in Poland.

Twelve unions are protesting against the government's scheme, which provided for cutting 105,000 jobs in the sector to 138,400 in 2002, while lowering output to 112m tonnes a year from last year's 137m tonnes. The plan envisaged closing about 24 of Poland's more than 50 coal pits.

"The government approved the restructuring plan without proper consultations. We should sit down and discuss things ... If not, trade unions have a right to protest," Mr Kisielinski said. **Reuters, Warsaw**

GREECE AND TURKEY

Internal EU report irks Athens

Greece said yesterday it would raise with Jacques Santer, the European Commission president, press reports that a senior Commission diplomat had accused the Athens government of undermining EU relations with Turkey.

Athens dailies reported that Michael Lake, who was the Commission's representative in Ankara until February, had written a 25-page internal report saying that Turkey was a vital European Union partner and that Greece was damaging future relations.

He was also reported to have said that the EU's membership talks with Cyprus were "unacceptable" while the Greek Cypriot government was considering the installation of Russian S-300 anti-aircraft missiles.

"Are we ready to place the interests of the Cypriots ahead of Turkey? Which of the two is more important for our long-term strategy and economic interests?" a Greek translation of Mr Lake's report quoted him as saying.

The Greek government spokesman, Dimitris Reppas, said that, if true, Mr Lake's report promoted the interests of Turkey over an EU member and was a disservice to the Union. **Reuters, Athens**

EU UNEMPLOYMENT

Rate steady at 10.2%

Unemployment in the European Union held steady at 10.2 per cent in May, unchanged from the previous two months, according to figures released yesterday by the EU's statistics office.

The EU rate compared with 4.4 per cent in the US and 4.1 per cent in Japan. Eurostat's data showed 17.1m citizens were out of work across the 15-nation group. Year-on-year figures showed a slight decline in the unemployment level from 10.7 per cent in May 1997 and 10.9 per cent in May 1996.

The jobless rate in the 11 countries adopting the euro as their common currency on January 1 was down to 11.2 per cent from 11.3 per cent in April. Luxembourg had the lowest rate at 2.2 per cent, Spain the highest with 18.8 per cent.

Eurostat gave the following seasonally adjusted jobless rates for May 1998 with May 1997 rates in brackets: Luxembourg, 2.2 per cent (2.6); Austria, 4.5 (4.3); Portugal, 6.4 (6.6); Sweden, 8.9 (10.3); Belgium, 8.9 (9.3); Ireland, 9.2 (10.2); Germany, 9.8 (9.9); France, 11.9 (12.4); Finland, 12.7 (13.8); Spain, 18.8 (21).

May 1998 figures were unavailable for Greece, Italy and the Netherlands, Denmark and Britain. **AP, Brussels**

RUSSIAN STOCK MARKET

Worries over Yukos loan

Russia's Federal Securities Commission, the stock market regulator, is understood to have launched an investigation into a controversial \$800m loan taken out by the Yukos oil company and secured on the assets of its partly owned daughter company, Samaraneftegaz.

Minority investors in Samaraneftegaz have complained that Yukos did not have the right to collateralise its loan on the daughter company's assets because it did not own them outright. They feared that if Yukos were to default on the loan, the lenders, which include Goldman Sachs, Merrill Lynch and Crédit Lyonnais, would have prior claim on Samaraneftegaz's assets. Yukos could not be reached for comment last night.

The securities commission had been fighting to entrench the concept of good corporate governance in Russia's wild markets. The issue had been brought to the fore after a series of recent corporate scandals, which have tarnished the image of Russia's infant capital markets and contributed to sharp falls in equity prices this year. **John Thornhill, Moscow**

Casualties mount as Kosovo conflict starts to spread

By Guy Dinmore in Belgrade

Heavy fighting was reported yesterday in Serbia's southern province of Kosovo after the latest failure by international envoys to arrange a ceasefire between government forces and ethnic Albanian separatists.

Kosovo Albanian officials said the Yugoslav army and rebels of the Kosovo Liberation Army (KLA) had suffered serious casualties in several days of clashes near Morina, a mountain village close to the border with Albania. An army spokesman refused to give details, saying relatives of the dead would be informed first. Much of the army is made up of young conscripts with little training. Their involvement in the spreading conflict has drawn protests by angry parents in cities across the two Yugoslav republics of Serbia and Montenegro.

Local journalists said that for the first time the Yugoslav army and KLA rebels in trenches and bunkers were battling it out from fixed front-line positions. Albania is the main source for the KLA of weapons and new recruits drawn from the large Albanian diaspora in Europe. Fighting also erupted this week 4km from the western town of Pec where ethnic Albanian militants, armed with heavy machine guns, have killed at least three Serbian policemen.

Holbrooke: No headway

The interior ministry said 31 policemen had been confirmed killed since violence flared early this year. Some 300 ethnic Albanians have also died in the conflict and more than 70,000 made homeless.

Richard Holbrooke, the US envoy, said at the end of his latest shuttle mission last Sunday that he had made no significant headway in his efforts to arrange a ceasefire.

Foreign ministry officials of the six nation Contact Group meeting in Bonn on Wednesday called on both sides to stop fighting, but to no avail.

The Contact Group – the US, four European allies and Russia – reiterated its rejection of demands by the ethnic Albanian majority for independence but pressed Belgrade to give Kosovo enhanced autonomy within the Yugoslav federation. With the approval of Slobodan Milosevic, the Yugoslav president, US, European and Russian diplomats have started setting up a mission in Kosovo that is to number about 100 observers.

However, Mr Milosevic refused to allow the Organisation for Security and Co-operation in Europe to operate in Kosovo until it lifted its suspension of Yugoslavia's membership.

The KLA, a loose-knit group of guerrillas and village militia bankrolled by Albanian nationalists in Europe, rejects a ceasefire until all government forces are withdrawn from Kosovo.

The Albanian-language newspaper Koha Ditore yesterday quoted Naim Maloku, a local KLA commander, as saying the rebel group would not accept Ibrahim Rugova as its political leader. Mr Rugova, the west's principal negotiating partner in Kosovo, heads the main ethnic Albanian party in the province and is regarded as a moderate because of his rejection of violence.

The International Committee of the Red Cross (ICRC) said yesterday it had secured the first release of civilians abducted in Kosovo – two Serb men who had been seized while taking a bus to the provincial capital Pristina. The Geneva-based organisation did not identify who had taken them. It said dozens of families were still without news of abducted relatives.

'Civic Hungary' crusade has to make a slow start

Political realities are already modifying Viktor Orban's idealistic campaign promises, writes **Kester Eddy**

Viktor Orban, Hungary's youthful new prime minister, took the reins of a three-party coalition government this week pledging a very different type of administration from those preceding it.

Mr Orban, at 35 the second youngest prime minister in Hungary's history, led his centre-right Fidesz-Hungarian Civic party to victory in May's elections with repeated promises of a "civic" Hungary.

Roughly speaking, this means a fair chance for all right-minded citizens in a country governed by the rule of law rather than – as some Fidesz leaders would claim – a land run by grasping socialists who promoted their cronies, and by liberal Budapest intellectuals with no feeling for the Magyar soul.

Mr Orban won the election with promises of rapid economic growth, promoting family values and Hungarian culture, supporting ethnic Magyars in neighbouring countries and helping small businesses from Budapest to the humblest village on the Puszta.

He pledged to attack corruption, tax evasion, and – especially relevant now after a bomb attack in central Budapest killed four people last week – organised crime.

Mr Orban expounds these themes with crusader-like passion but he is already finding the political and financial constraints of government are watering down his campaign promises.

Zsigmond Jarai and Attila Chikan, respectively the incoming ministers of finance and economic affairs, are widely expected to keep a prudent hand on the economic tiller.

"You don't see 7 per cent or any figure for economic growth in the government programme," said Tamas Szalai, an analyst with Concorde Securities in Budapest. "Instead, it's single-digit inflation by 2000. Winning the election is different from governing the country."

Fidesz promises a foreign policy similar to the previous government, pushing Nato and EU membership, although Mr Orban promises to uphold Hungarian interests, particularly in agriculture, more vigorously than the Socialists.

Since May, Mr Orban has worked tirelessly to reach a coalition agreement with the Democratic Forum, the once-mighty anti-communist grouping, and more problematically, with the rightwing Smallholders party, led by Jozsef Torgyan, a lawyer.

The Smallholders promised their voters big rural infrastructure development and even more vocal support than Fidesz for Hungarian minorities abroad.

Mr Orban seems to have quickly built a genuine rapport with Mr Torgyan. "It's not the written agreement, but his word and handshake," was the gist of how Mr Torgyan described the basis for the alliance.

The coalition, which has 55 per cent of parliament's seats, includes four Smallholders in the government and one minister from the Forum.

President Arpad Goncz (right) is embraced by Prime Minister Viktor Orban, whose new government was sworn in this week Reuters

As one western diplomat put it, Mr Orban and his closest circle, mostly ex-law students below 40, have been on a "very steep learning curve" in the past few weeks and have adjusted their populist rhetoric. "It didn't matter much what the party apparatus said before. Now they realise it quickly has repercussions," he said.

The sight of the Budapest stock market tumbling during and after the election, combined with warnings from the business community about the risk of over-expansion, has persuaded Mr Orban to stop talking of economic policies based on 7 per cent GDP growth.

He has also opted for people trusted by the finance and business world to head the finance and economic ministries. There is no room for Gyorgy Matolcsi, the economic adviser who promoted the 7 per cent target and was widely touted for the economics ministry before the polls.

Gone, too, are threats to revise the terms on which stakes in the gas and electricity industries were sold to foreign investors.

Instead, Mr Orban is rapidly becoming as keen as his Socialist predecessors on maintaining, if not increasing, Hungary's $2bn annual foreign direct investment inflow. Meanwhile, the re-instatement of the death penalty for murder, a Smallholder manifesto item, is absent from the government programme.

Nonetheless, the government has retained a bagful of populist measures. It has reintroduced family allowance regardless of income and scrapped tuition fees for university students, which at $10 per month were hardly excessive even in Hungary's low-wage economy.

More ambitious proposals to reduce personal income tax rates and cut by nearly half social security payments to 25 per cent of salaries by 2002 have yet to be tested.

Other measures, such as one to replace the elected boards which govern the social security funds with a direct government commission, are seen by many as a positive step. Although the idea is condemned by the Socialists as anti-democratic, the funds are notorious for leaking money.

Solving a long-running row with Slovakia over a big Danube hydro-power scheme may be more of a problem. Hungary unilaterally pulled out of the project in 1992, and the resulting dispute was taken to the International Court in the Hague.

Slovakia argues that the court's complicated verdict obliges Hungary to build the dam after all. But Fidesz thinks differently. A western diplomat predicts: "This will go back to The Hague and end up with Hungary paying a lot in compensation to Slovakia. I see no other solution."

YEAR 2000 PROBLEMS FOR SMALLER BUSINESSES

Millennium bugs the Mittelstand companies

By Tobias Buck in Bonn

Germany's Mittelstand companies, small and medium-sized businesses mainly controlled by families, are not doing enough to avert possible damage caused by the year 2000 problem, the chambers of industry and commerce (DIHT) warned yesterday.

Such businesses are particularly prone to the millennium bug because of their comparatively old information technology, and their computer departments often lack the manpower and experience to find an in-house solution for the problem, Franz Schoser, the DIHT's president, said.

So far, the companies have been reluctant to invest in an overhaul of their IT equipment by outside experts. However, the DIHT warned, they will face difficulties in finding consulting and service assistance as the millennium draws nearer.

There may be a marked shortage of the sort of expertise required to make a company's IT resistant to the millennium bug if managers do not act as soon as possible, Mr Schoser said.

Mittelstand companies have been concentrating their efforts on making their computers and software compatible with the euro, Europe's new single currency. This had overshadowed the year 2000 problem, he said.

The companies often lack the manpower and experience

Germany's big companies, by contrast, were well on track to ensure a smooth transition of their IT into the next millennium, Mr Schoser added.

The root of the year 2000 problem lies in 1970s and 1980s computer-programs which record years as two digit-numbers. If left unchanged, many computers will be unable to distinguish between 2000 and 1900, threatening malfunctions and crashes on January 1 2000.

While the problem has been a high-profile issue in the US and Britain, experts have accused Germany of having woken up too late to the dangers.

The government is now stepping up its efforts to publicise the year 2000 problem. A report published this week by the economics ministry and the ministry for education and science urged all suppliers and users of IT to show more initiative in tackling the problem.

According to figures in the report, 55 per cent of German businesses have so far checked their IT systems and machinery for millennium bug vulnerability, while 20 per cent have successfully tested their updated software.

Günther Rexrodt, the economics minister, acknowledged that Mittelstand companies were the Achilles' heel in Germany's effort to prevent damage from the millennium bug.

CZECH GOVERNMENT SMALL PARTIES COMPLAIN OF 'CARVE-UP'

Havel accepts party deal despite protests

By Robert Anderson in Prague

President Vaclav Havel yesterday reluctantly accepted that he would probably have to appoint Milos Zeman, the leader of the Czech Social Democrats, as prime minister despite appeals from two small parties that have been excluded from power.

Mr Zeman signed an agreement with the Civic Democratic party (ODS), which came second in last month's election, that should allow him to form a minority single-party government. It would be the first taste of power for the Social Democrats since the fall of communism in 1989.

In return, the ODS will be given the posts of speaker of both houses of parliament and the chairmanship of the committees overseeing the budget and the secret services. It will also nominate the head of the Supreme Audit Office.

The Christian Democrats and the Freedom Union, two small parties which had been courted by their bigger rivals, threatened to take the agreement to the Constitutional Court.

Josef Lux, leader of the Christian Democrats, said it was "an attempt to replace the old article about the leading role of the Communist party with a similar role for two political sides".

However, Mr Havel, who shares their unease about the way the two big parties plan to carve up power and change the constitution, said he would probably appoint Mr Zeman at the end of next week after consulting with legal experts and discussing ministerial appointments with the Social Democrat leader.

Vaclav Klaus, the ODS leader, defended the agreement as the product of the "crisis of the coalition government model", shown by the failure of either party to agree terms on forming a government with the two small centre-right parties.

The ODS, which won a higher than expected 63 seats by warning against a return to socialism, has pledged to be absent from parliament when the new government's vote of confidence is held.

This would allow the 74 Social Democrat deputies to win a majority of the 137 remaining votes. The ODS also promised not to support a vote of no-confidence in the government during its four-year term.

The swift agreement on the new government repays the debt incurred when, after long negotiations, the Social Democrats allowed Mr Klaus to form a minority three-party government after inconclusive elections in 1996.

To avoid a similar situation, the new government will prepare proposals within 12 months to change the constitution. These are likely to involve introducing a different electoral system which will allow the ODS and the Social Democrats to win more seats at the expense of the smaller parties.

The proposals will also clarify the role of the president in the process of forming a government.

Both Mr Zeman and Mr Klaus believe Mr Havel has too much leeway and that he used this to install Josef Tosovsky, the former governor of the central bank, against their wishes at the end of last year, when Mr Klaus's government fell over a political donations scandal.

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HANISH ISLANDS LONDON HEARING TO DETERMINE OWNERSHIP

Lure of Red Sea oil behind island dispute

By Robert Corzine

An arbitration tribunal in London has begun hearing arguments in the dispute between Eritrea and Yemen over ownership of the Hanish islands, a potentially oil-rich area in the Red Sea.

The hearing into the maritime boundary between the two countries opened this week amid continuing uncertainty about the eventual outcome of Eritrea's dispute with Ethiopia over land borders.

Hundreds were killed in bombing raids and clashes between ground forces in late May and early June. An unofficial ceasefire has been in place in recent weeks as diplomats try to find a lasting solution.

Eritrea's dispute with Yemen over the Hanish islands flared in December 1995 when military forces from the two countries clashed. Boutros Boutros Ghali, the then United Nations secretary-general, stepped in to negotiate a ceasefire. Eritrea and Yemen later agreed to binding arbitration, which is expected to take about a year.

The tribunal has been asked to address two main issues, according to Rodman Bundy, a specialist in international boundary disputes with law firm Frere Cholmeley in Paris.

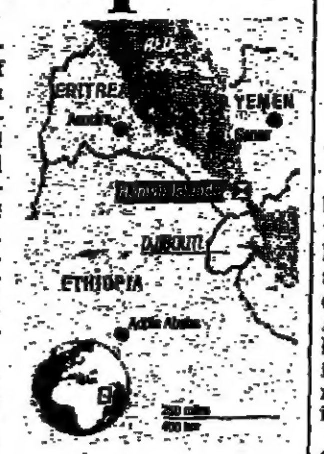
The first is to determine ownership of the islands. Written evidence has already been provided by both sides, and oral arguments will be heard in coming weeks. The nature of the "transient" populations that occasionally occupy the islands is expected to be a thorny issue during the deliberations.

Mr Bundy said arguments on the sovereignty issue are expected to be completed within six weeks or so. But a full decision, including drawing up new demarcation lines, could take a year or so.

The two boundary disputes involving Eritrea have held up oil exploration in the region. No wells have been drilled around the islands, although foreign oil companies have shown interest in the area. IPC and Amoco held an exploration licence until the early 1990s, but never went so far as to drill a well.

There has been a recent flurry of interest in the uncontested area north of the islands, however. Anadarko, a leading US independent oil company, and Agip of Italy had planned to begin drilling this summer in Eritrean waters. The onset of the conflict between Eritrea and Ethiopia caused Anadarko to evacuate personnel but the company says it still intends to drill three exploration wells this year if the political situation permits. Anadarko believes the undiscovered reserve potential for its Zula and Edd exploration blocks to be between 300m and 1bn barrels.

Petroconsultants, a Geneva-based group that monitors exploration and licensing activity around the world, says that a number of other international oil companies have also expressed interest in the Red Sea basin.



Rubin mission to improve Africa markets

By Mark Suzman in Washington

Robert Rubin, US Treasury secretary, leaves this weekend for a nine-day trip to Africa that will focus on building more efficient financial markets to help nurture the continent's fragile economic recovery.

Mr Rubin will visit Ivory Coast, South Africa, Mozambique and Kenya to discuss US technical assistance in efforts to improve general economic governance, the management of the financial sector, and expanding credit to small businesses and micro-enterprises.

The trip, which was announced last month, has taken on added urgency in light of the collapse of the South African rand over the past two weeks.

South Africa is also the biggest trading partner of the US in Africa, receiving nearly half of all US exports to the continent.

The currency's fall was initially triggered by consequences of the Asian economic crisis. However, it quickly deepened following the announcement that Tito Mboweni, the controversial labour minister, would replace Chris Stals, the respected South African Reserve Bank governor, at the end of his term next year.

Although the situation has stabilised in recent days, Mr Rubin is expected meet a wide range of public and private sector officials in South Africa to discuss the rand's collapse and other economic issues.

President Nelson Mandela will be hoping for a strong statement of support from Mr Rubin for his government's conservative economic policies.

The US delegation will include executives from private US financial institutions who will hold separate discussions with African government and private sector officials.

In a recent congressional hearing, Lawrence Summers, deputy treasury secretary, said Mr Rubin's trip was intended as a follow-up to President Bill Clinton's historic visit to Africa earlier this year. This reflects a renewed focus on the continent in US policy-making circles.

"The aim of the trip is to advance the initiatives put forward by the president, especially in the financial sector, and to convey America's willingness to do what we can to help integrate African reformers into the global economy," Mr Summers said.

The inclusion of Kenya is particularly notable, as the country, once seen as the model economy in Africa, was pointedly left off Mr Clinton's itinerary because of its ongoing political problems.

The US administration has already approved two new Africa funds by its Overseas Private Investment Corporation to help finance new infrastructure projects.

However, an Africa trade bill that is the centrepiece of the new initiative has been stalled in the Senate after being approved by the House of Representatives.

The bill would expand access to the US market for a range of African countries, provided they could demonstrate a solid track record in adopting sound economic policies.

It would also create a bilateral US/Africa economic forum and initiate plans for the long-term creation of free trade zones.

Senate leaders hope the bill will be approved later this month in conjunction with a separate initiative for the Caribbean.

The legislation has run into opposition from US unions which fear that it could cost domestic jobs, while some legislators are reluctant to approve it until Congress grants Mr Clinton fast-track authority to negotiate new international trade agreements.

Nevertheless, analysts say that even if the trade bill fails to pass, Mr Rubin's trip is sending a powerful message to African governments that the US is determined to stay involved in the continent's future.

"It shows that Clinton's trip was not a one-shot deal," said Constance Freeman, director of African Studies at the Centre for Strategic and International Studies, an independent think-tank.

"Washington has realised that Africa can't be ignored."

Language law dispute adds to Algerian woes

By Roula Khalaf in London

Demonstrators in Algiers yesterday. A law making Arabic the only official language has angered Berbers

Thousands of demonstrators marched through Algiers yesterday in protest at legislation that has imposed Arabic as Algeria's sole official language and denouncing the recent killing of a popular Berber singer.

Berbers, who make up 30 per cent of Algeria's population, want official status for their Tamazight tongue.

The protesters, also marching in support of peace in Algeria, were responding to the call by the Socialist Forces Front (FFS), a leading secular opposition party. The march followed riots and demonstrations in the Berber region of Kabylia after the death of leading Berber figure and singer Lounes Maatoub nearly two weeks ago.

The turmoil gave rise to the Armed Berber Movement, an organisation pledging to avenge the death of the singer and kill those who apply the Arabisation law. The threats raise fears of a further exacerbation of violence which has has claimed more than 65,000 lives in the past six years.

Hocine Ait Ahmed, head of the FFS, yesterday accused the Algerian regime of using the language issue to radicalise public opinion and provoke rifts between Arabs and Berbers.

"Linguistic pluralism is an asset, not a handicap," he said. "We are not being antagonistic against the Arabic language but for us the law is a political manoeuvre to divert attention from the present crisis and gain time. Mr Ait Ahmed said the insistence on bringing the law into effect was an attempt to isolate and break his party, the only significant party calling for western pressure on the government, independent inquiries into the violence and a dialogue that would include the banned Islamic Salvation Front. This is denied by the government.

The language issue has put the FFS in a delicate position and in search of the middle ground between the need to cater to its mostly Kabyle constituency and the effort to turn itself into a national party.

In an attempt to reduce tensions, the FFS this week met Liamine Zeroual, the Algerian president, in a rare and unexpected move. According to the FFS the president rejected demands to freeze the law but said implementation would be gradual.

● A bomb exploded yesterday in a market in an Algiers suburb, killing 10 and injuring 21. Meanwhile, Algerian security forces said Khalifi Athmane, head of the armed Islamic groups (GIA) in the capital, was shot dead yesterday near Algiers.

Death toll put at 45 as more Lagos riots erupt

Fresh violence erupted yesterday in Lagos, Nigeria's largest city, over the death in detention of opposition leader Moshood Abiola, Reuters reports from Lagos.

Local newspapers put the death toll in earlier rioting over Chief Abiola's death in the city of 8m at up to 45 people.

Witnesses said police fired teargas to disperse mobs in Lagos as unemployed youth clashed with petty traders from the north, the home region of most present and past Nigerian rulers.

In the capital Abuja, Nigeria's military rulers met for a second day running to discuss restoring civilian rule and freeing political prisoners.

Officials at the presidential villa said the Provisional Ruling Council had resumed talks which began on Wednesday under military ruler General Abdulsalam Abubakar and a statement would follow.

"What happens to the remaining political detainees and the yet-to-be-announced transition programme were discussed," said the state-run radio.

"The fate of coup plotters will also be determined," said one official, referring to former Nigerian number two Lieutenant-General Oladipo Diya and several others, all from the south-west.

The men were found guilty of plotting to topple Gen Sani Abacha, Gen Abubakar's predecessor.

Chief Abiola had been detained since 1994 when he declared himself president after winning an election annulled by the military.

He died of an apparent heart attack while meeting a US team to discuss the military government's terms for his release.

Nigeria is anxiously awaiting the results of a post mortem on Chief Abiola by foreign pathologists due in the country last night.

Chief Abiola was held under GenAbacha, who himself died of a heart attack a month ago.

Gen Abubakar on Wednesday appealed for calm following riots that have killed at least a score in Chief Abiola's south-western home region.

However, his speech gave no hint of how the army plans to restore civilian rule to the nation of 104m.

Turkmenistan to sign biggest oil contract

By Robert Corzine

Turkmenistan's biggest oil development deal is due to be signed today in Ashgabad with Mobil of the US and Monument Oil of the UK.

The deal, which also includes Turkmaneft, the state oil group, will cover the exploration and development of a vast onshore area of western Turkmenistan along the Caspian Sea coast.

Signing the Garashsyzlyk agreement will help Turkmenistan catch up with other Caspian countries in the competition to attract foreign capital to develop oil and gas reserves. "The Turkmens are feeling the (financial) pressure to move on and get things done and deals signed," said one western oilman in Ashgabad.

Mobil and Monument are expected to spend about $100m over the next three years, although investments could run much higher if seismic surveys and drilling activity confirm their more optimistic assessments.

The two companies now produce about 14,000 barrels a day from their Burun field, with output expected to rise to 26,000 b/d by the end of the year. The expansion of that field plus the development of the Garashsyzlyk area could result in oil production in western Turkmenistan of up to 500,000 b/d by 2006-2007.

The Asian crisis and the diminishing likelihood of early investment from that region is said to have helped galvanise the Turkmen government into finalising the Garashsyzlyk agreement. Other oil companies considering investing in the country will probably take heart at the signing of a final agreement after 18 months of negotiations.

One of the stumbling blocks is thought to have been Mobil's concern about potential liability for existing fields, many of which are dilapidated and require extensive refurbishment.

The Garashsyzlyk agreement covers the exploration, development and production of oil and gas over 4,500 sq km of western Turkmenistan. A strategic alliance between Turkmaneft, Mobil and Monument includes two separate PSAs.

The first only involves Turkmaneft, and covers the existing mature oil fields in the area. The second, which Mobil will operate, covers undeveloped reservoirs discovered underneath the Kotor Tepe and Barsa Gelmes fields, which have been extensively developed. It also covers exploration and appraisal of prospects outside of existing fields.

The agreement is a departure from the usual production sharing arrangements in the Caspian. Generally countries license much smaller areas, and usually split development projects from exploration acreage.

The two western companies persuaded the government of President Saparmurat Niyazov that licensing a single large area would be a more efficient way of kick-starting the country's ailing oil industry.

Mobil has asked the US government to allow it to swap oil from its Turkmen operations for Iranian crude on the Gulf. Its British partner, Monument, expects to conclude its first swap deal with Iran at the end of July.

INDIAN SOFTWARE FOREIGN CLIENTS SERVED BY HIGH SPEED DATA LINKS

Exports grow strongly – by phone

By Mark Nicholson in New Delhi

India's software exports last year rose by more than 50 per cent for a seventh successive year. An increasing share of exports – worth $1.75bn – came from companies in India serving clients abroad over high speed data links, said a study by the National Association of Software and Service Companies (Nasscom).

Software exports continued to outstrip growth in the domestic market, where an economic slowdown held sales to $950m, a rise of 45 per cent on last year, said Nasscom. Exports rose 52 per cent from $1.15bn a year earlier despite the rupee's depreciation against the dollar over the year. Some 59 per cent of sales were to the US, 22 per cent to Europe and 9 per cent to Japan and south-east Asia.

Nasscom said it expected software exports to reach $2.7bn this year. The boom in software exports, a rare bright spot in India's otherwise declining export performance, meant software service and product sales now accounted for more than 5 per cent of India's export earnings. "We believe in the next five years we will account for 25 per cent of total earnings," said Dewang Mehta, Nasscom's executive director.

The study reported that 73 Indian companies last year reported exports worth more than Rs100m ($2.35m), against just eight five years ago Tata Consultancy Services, the software arm of the diversified Tata group, headed the list of export earners, reporting overseas sales worth Rs9.55bn.

The Nasscom study highlighted a continuing trend away from "on site" software services, where engineers physically visited overseas clients, towards telecom linked "offshore" services, which accounted for 41 per cent of exports last year against 5 per cent in 1990. The study said the industry now operated almost 600 high speed leased lines against 10 in 1992. Mr Mehta said he expected export growth to continue at rates above 50 per cent.

A government appointed task force this week presented a series of recommendations on promoting the software and information technology industries. These included moves to accelerate import duty cuts on computer equipment, currently 30-40 per cent, to zero by 2002 – sooner than required by the World Trade Organisation – along with moves to set up venture capital funds.

In its proposals this week, the task force suggested India could raise software exports to $50bn within a decade, creating perhaps 1m new jobs in the sector – already India's fastest growing industry.

Caribbean community grapples with challenge of creating a single market

By Canute James in Kingston


to think we can go back to planting sugar cane'

Leaders of the 15 countries in the Caribbean trade bloc Caricom have resolved to lead their nations quickly into economic union.

At their recent annual summit, leaders of the community decided they must have the main elements of a single market in place by the end of 1999. This would be necessary for Caricom to take part in the Free Trade Area of the Americas, proposed for 2005, and to handle changes expected in trade relations with the European Union and members of the North American Free Trade Agreement.

"We are off to a late start, but the community has been discussing the single market and economy for the past seven years," said a senior official of the Caricom secretariat. "Any further delays in dealing with this will leave our members as straws in the windstorm of change in global economics."

With a market of 13.5m spread from Belize in Central America, through the Bahamas, Haiti, Jamaica, the English speaking islands of the eastern Caribbean, to Guyana and Suriname in northern South America, Caricom is a relatively small trading bloc. But Sir James Mitchell, prime minister of St Vincent, says size should not prevent the community moving forward. "I do not see our countries competing for the manufacture of goods. We delude ourselves to think we can go back to planting sugar cane or assembling and re-exporting."

Caricom has already implemented some elements of the single market. It has created a customs union with common tariffs on imports from third countries. A nascent regional capital market is encouraging cross-listing of stocks on the Barbadian, Jamaican and Trinidadian exchanges, with exchanges being planned for Guyana and the Windward and Leeward Islands.

However, the community faces the challenge over the next 18 months of rewriting the treaty with which it was created in 1973, and which member governments agree is ill-suited to the demands of the 21st century. The 1999 target is already threatened as technocrats, lawyers, economists and government ministers struggle through protracted and sometimes acrimonious negotiations on new policies for trade and transportation, agriculture and industry.

"The old treaty also limited the movement of capital, skills and business in the region," said Owen Arthur, prime minister of Barbados, who has the community's portfolio for the single market and economy. "The treaty has to be changed so that regional trade policy can be widened to deal with the FTAA and the EU, and such matters as bilateral investment treaties, intellectual property rights and trade in services."

Caricom members admit to two big hurdles on the road to the single market. The first is the different levels of development among members. Per capita income of $7,500 in Barbados is three times that of Jamaica and 30 times that of Haiti. Such disparities are hardly conducive to agreement on common policies, leading the community to a series of exemptions for poorer economies.

The second hurdle faced by Caricom is the creation of a common currency, which the region's leaders consider the stiffest challenge in the creation of the single market. Earlier efforts at making the region's currencies freely convertible have been troubled by the mix of fixed and floating exchange rates. The common currency is the one element which the community has agreed will have to come after 1999.

"This will demand harmonising such difficult aspects as interest rates, which now vary between 9 per cent in Barbados and 28 per cent in Jamaica," said Mr Arthur. "Debt service ratios must fall and there must be stability in exchange rates. Adequate levels of international reserves must be agreed as well as the size of budget deficits."

Brussels presses US on labels law

By Neil Buckley in Brussels

The European Commission is maintaining pressure on the US to put new legislation before Congress on labels of origin for European textiles, warning it will go to the World Trade Organisation unless Washington acted by August 20.

US officials have indicated that they do intend to comply with a year-old agreement to introduce the legislation by that date, a month after the original deadline of July 20, but Brussels officials are nervous at the apparent lack of progress.

At issue is a change in US rules in July 1996 that forced European Union textile manufacturers to label finished goods such as scarves with the name of the country that produced the raw cloth, instead of the country where the cloth was dyed and processed, as previously. For example, a scarf made from raw Chinese silk, but finished in an EU country, had to be labelled as coming from China, not from Europe.

EU exporters claimed that the rule change affected the value of goods, and hit hundreds of millions of dollars of textile exports to the US.

Brussels was on the brink of launching WTO consultations on the issue last summer, but stopped the case when the US pledged to change the labelling rules back permanently, with a bill in Congress.

EU trade officials are also concerned that the bill could be delayed or voted down by Congress, and suggest Brussels could launch a WTO case if Congress has not adopted the legislation by the end of the year.

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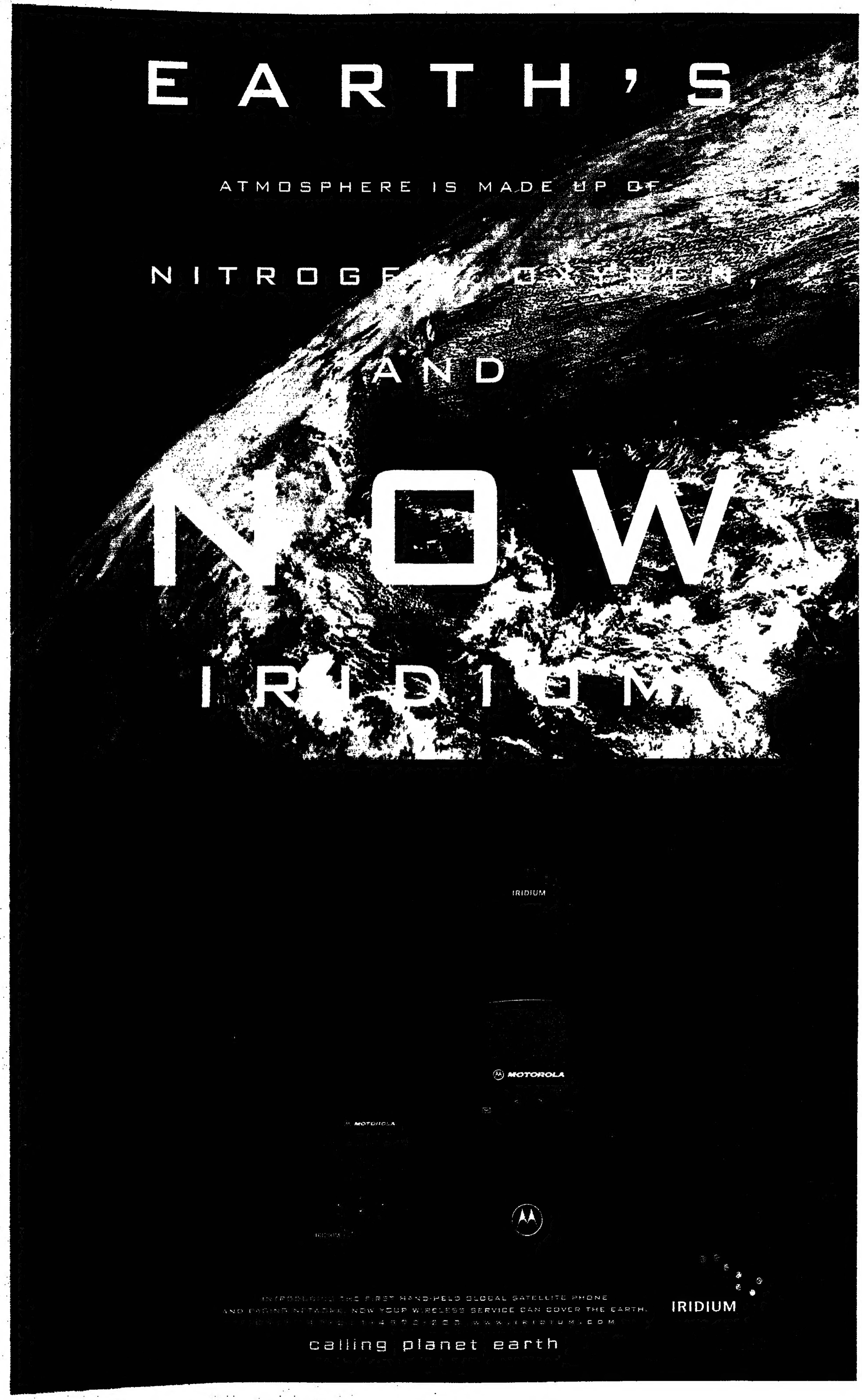

Australia sweetens Telstra sale for rural areas

By Russell Baker in Sydney

Australia's federal government will today pave the way for the A$50bn (US$31bn) privatisation of telecoms group Telstra by unveiling a A$1bn package of telephone benefits for rural areas.

The initiative is designed to secure parliamentary support for the Telstra privatisation from the National party, which is a member of the ruling coalition and represents rural voters. The National party is concerned the Telstra sale will adversely affect telecoms services to rural areas.

Telstra also announced a A$420m upgrade of its mobile phone services to regional Australia to bolster support in rural areas.

The move by the Liberal-National party coalition government is an attempt to capitalise on the passage of the controversial bill on aboriginal land rights earlier this week, a parliamentary triumph for John Howard, prime minister, which averts the possibility of an early race-based election.

Its package includes the extension of untimed local calls to more rural dwellers, an upgrade of customer service guarantees and the provision of high-speed communication links to regional communities.

The Telstra bill is being debated by the upper house of parliament, where it has been stuck because of the house's preoccupation with the native title legislation. Tim Fischer, deputy prime minister and National party leader, said yesterday the package would be "dependent on the Telstra legislation passing". The government claimed Telstra's package of benefits had nothing to do with its attempt to win approval in the upper house for the privatisation.

Mr Howard said the privatisation of Telstra would remove the "debt monkey" from future generations. But opponents say the rural initiative demonstrated why it should remain majority-owned by the government.

The National party is concerned about the Telstra sale because it fears losing votes in rural areas in the next Federal election to the One Nation Party, which is headed by populist politician Pauline Hanson.

Mrs Hanson opposes the Telstra sale as do many rural voters, who fear a fully privatised Telstra would downgrade services to less profitable areas in regional Australia. Chris Schacht, opposition Labour party communications spokesman, claimed Telstra's upgrading showed the government had used its shareholding to pressure the company into improving rural services. "The only real protection for regional and rural people... is for the government to retain its position as the two-thirds owner of Telstra," he said.

Disillusioned voters see no alternative to unpopular LDP

Japanese elections

By Michiyo Nakamoto in Tokyo

When a governing party is as unpopular as Japan's Liberal Democratic party, it is the opposition that might be expected to benefit. But no single alternative appears to have won the confidence of Japan's voters who go to the polls on Sunday.

Recent polls indicate the LDP is struggling to hold on to its 61 seats being contested in the upper house of the Diet. Public support for the LDP has plunged and the popularity of Prime Minister Ryutaro Hashimoto has fallen to less than 30 per cent in recent polls.

However, after a series of realignments that have resulted in the birth of 18 parties, many of which have since disappeared, the Japanese public is fed up and confused, analysts said.

In particular, the sudden demise of the New Japan party, which led a coalition that ousted the LDP for the first time in 38 years, has resulted in widespread disillusionment.

The birth of the government of Morihiro Hosokawa was widely hailed as the start of a new style of politics. But Mr Hosokawa abruptly resigned over a financial scandal.

"I felt that something would change. I expected politics to be based on the people's will," recalled Masayuki Satake, a lawyer living in Tokyo, and a committed opponent of the LDP. "But I was fooled. The hope of politics for the people was an illusion," he said.

Many voters, like Mr Satake, are unhappy with the LDP but are at a loss which party to vote for. "The majority of the Japanese public does not support the LDP or the Hashimoto government. But that does not mean they support the Democratic party," admitted Naoto Kan, leader of the new Democratic party, an opposition party.

Kan: Democratic party leader

The Democratic party is as yet young, formed only two months ago and unfamiliar to most of the electorate. Meanwhile, the Social Democratic party, which used to provide the main counterweight to the LDP, has been reduced to a much smaller grouping, as a result of the defection of large numbers to the new Democratic party.

In addition, the Social Democratic party has been discredited in the public's eyes by forming an alliance with the LDP, formerly its arch-rival, over the past three years.

Among the opposition parties, only the Japan Communist party (JCP) is forecast to do significantly better on Sunday, with polls showing it at least doubling its seats to 12. The JCP appears to many the most reliable anti-establishment party but it is starting from a small base.

Furthermore, none of the opposition parties has been able to convince the public that its policies are clearly better than those put forward by the LDP. "I am not sure that voting for a party other than the LDP will necessarily improve the economy," noted Mr Satake.

The weakness of the opposition has resulted in widespread disaffection with politics. More than half of Japanese voters polled by Yomiuri Shimbun, the country's biggest daily newspaper, do not support any political party. Among those who do support a particular party, as many as 42 per cent said they might not vote in the elections.

Since the LDP has the most organised political machine that can get supporters to vote, the general lack of interest works in its favour.

"But we will show that the Democratic party is here to stay," said Mr Kan. However, with a strong possibility that many uncommitted voters will stay away from the polls, it is likely to be some time before the Japanese opposition provides a viable challenge to the LDP.

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Townsfolk resigned to a bleaker future

By Alexandra Harney in Ushimado, Japan

To the residents of Ushimado, a harbour town in western Japan, the furore in Washington and Tokyo about the Japanese economy seems far away.

On the eve of this Sunday's parliamentary election, while politicians and bureaucrats in Tokyo grapple with policies to resolve Japan's economic woes, the people of Ushimado have resigned themselves to a much bleaker future for Japan.

"The public has no idea who to vote for. Politicians are the same in every party; they have no policies, and they don't implement the ones they do have," complains Ichiji Kobata, who owns a picturesque bed-and-breakfast business in an olive grove overlooking the harbour.

"Their policies are meaningless to us. The politicians are using us," adds Ayako Kobata, Mr Kobata's wife.

Japanese rural voters, frustrated with nearly 50 years of Liberal Democratic party (LDP) rule, have little confidence the coming election will lead to significant political change.

In Tokyo, the banking system's loan problems are aggravating bilateral tensions with the US and increasing pressure on the administration to produce a reform plan ahead of the polls. But in rural communities such as Ushimado, a long-held distrust of politics has given way to hopelessness and apathy.

Even Takashi Yamashita, the local election official, was at a loss for words when asked about the issues being debated by Ushimado voters. "I couldn't really say. There aren't many issues discussed here. I think people would like to see the economy improve," he said.

Residents of the town, located between an industrial harbour and hills covered with pumpkin and cabbage farms, are worried about job losses and welfare problems from the closure of a local carbon factory this year.

They are concerned about the town's ageing population, with its highest concentration of residents aged between 60 and 70 years. They are less interested in the government's "bridge bank" scheme to resolve banks' bad-loan problems or the weakness of the yen.

"All the parties have the same policies. They use all the same words: financial system restructuring, financial revitalisation. They are always using these same difficult terms. What do they call that thing they are going to use to help the banks?" asked Mr Kobata.

"Doesn't the government understand that solving the bad-loan problem doesn't help the people at the lower levels of society?" "If they don't help us at the lower end, the economy will never improve. "The people are the ones who buy cars and air conditioners. If they don't spend their money, nothing will ever get better."

Last year's consumption tax increase and the subsequent rapid economic downturn have deepened voters' distrust of the political parties, in particular the LDP. Voters said they want a reduction in consumption and corporate taxes.

Ushimado is the political heartland of Ryutaro Hashimoto, the prime minister, who represents the region. But even here, the LDP's performance has been called into question.

The reason residents are reluctant to switch parties is the LDP's hold on the public purse strings, and local fears that an LDP defeat would jeopardise the public works projects Ushimado depends on for its survival.

Norifumi Kato, the LDP incumbent, is challenged by candidates from seven parties, who are all lobbying intensely for votes. But most people in Ushimado have never met any of the candidates and are ambivalent about the outcome of the election.

Resigned to LDP dominance and disappointed with its performance, many residents said they would vote because that was the only way to try to change the system. "I will vote, but I've halfway given up on politicians already," said one bakery employee.

Japan to release aid for Russia

By Michiyo Nakamoto and Gwen Robinson in Tokyo

The Japanese government will release $800m in aid to Russia this fiscal year, in the first package of untied loans ever to that country. The deal, which covers part of a $1.5bn package announced by Japan earlier this year, is to be signed next week when Sergei Kiriyenko, Russian prime minister, visits Japan with Mikhail Zadornov, Russian finance minister.

The full untied loan package is one of the largest Japan has committed to any country. The two governments will also sign a bilateral investment protection agreement during Mr Kiriyenko's visit.

The decision by the Japanese government to release the loan reflects Japan's renewed interest in strengthening ties with Russia. The two countries have not signed a peace treaty formally ending hostilities in the second world war.

Ryutaro Hashimoto, Japanese prime minister, has been keen to settle a long-standing dispute over the status of the Kuriles while Mr Yeltsin is in office. The islands, known in Japan as the Northern Territories, are claimed by Japan but currently occupied by Russia.

Mr Yeltsin has suggested the dispute may be resolved when Mr Hashimoto visits Moscow later this year. However, Russian officials have indicated that they have no intention of giving up the islands, according to media reports.

Mr Hashimoto and Mr Yeltsin agreed to expand economic co-operation in April during the Russian prime minister's visit to Japan.

The untied loans, to be released by the Japan Export Import Bank with the World Bank, will go towards assisting the restructuring of the Russian coal industry, according to the bank.

Farmers plant rice in a protest on a Manila golf course last month

Demand for rice and other cereals to surge

By Justin Marozzi in Manila

South Asia will experience the strongest demand for rice and other cereals over the next two decades, according to the International Rice Research Institute (IRRI), the world's leading centre for rice research.

The IRRI, which yesterday launched a new three-year plan to sustain food security and combat poverty and malnutrition in the first quarter of the next century, said demand for rice would be greatest in areas where poverty and malnutrition are pervasive.

Rice represents up to 60 per cent of daily calorie intake in South Asia, IRRI said. Total demand for cereals in Asia will jump 30 per cent by 2010, while per capita availability of water is expected to decline by 40-60 per cent in most of the region's countries.

"It's a formidable challenge," said Robert Havener, IRRI's director-general. "In the next 25 years, the population of planet earth will increase by 2bn. The bulk of that will be in Asia and most of them will be Asian rice consumers. The extent to which we can feed these new mouths depends on our ability to grow more rice largely on existing land."

IRRI said depreciation of regional currencies following the regional financial crisis will lead to rising food prices and erosion of purchasing power among lower income groups.

In Indonesia, for example, food insecurity is already visible, despite 30 years of 3 per cent annual growth in rice yields. "Political sensitivity of increasing food prices may induce Asian governments to be less receptive to trade liberalisation, particularly for staple food items," said the IRRI.

The IRRI plan, which consisted of seven new research programmes and 31 projects, centred on maintaining global food security, improving management of natural resources essential for food production, and conserving the environment.

IRRI said it will work more closely with farmers' groups, non-governmental organisations, national governments' agricultural research programmes and the private sector. Together with its partner countries, IRRI is working on new high-yielding rice varieties it thought would raise yields by 20-30 per cent and be ready within five years.

El Niño, which devastated the farm sectors of several Asian countries, highlighted the difficult trade-offs between the use of water for urban, industrial and agricultural needs. "Clearly, agriculture in Asia will have to be more efficient because it will have less water," said Mr Havener.

The institute also released details of a review of IRRI by the Food and Agriculture Organisation of the United Nations, which praised its scientific achievements.

NEWS DIGEST

CHINESE ECONOMY

Exports recover slightly despite regional pressure

China's exports recovered slightly last month, despite continued pressure on Chinese exporters from rival Asian manufacturers where competitiveness has been boosted by currency devaluations.

After a decline in overseas sales of 1.5 per cent in May, the first drop in 22 months, China yesterday reported that exports rose by 1.6 per cent in June compared with the same period in 1997. In the first six months of the year, exports rose by 7.6 per cent, reaching a value of $86.9bn, according to Xinhua, the official government news agency.

Imports rose 5.3 per cent in June to $11.9bn, increasing only 2.2 per cent for the first six months of the year. The lacklustre import growth contributed $22.5bn to China's trade surplus for the first half of 1998.

The modest recovery in the export figures is likely to come as small but welcome relief to the Beijing leadership, which has repeatedly pledged not to devalue the Chinese currency.

It was also announced China's industrial and commercial tax revenues rose 8.8 per cent, reaching RMB389.4bn ($47bn) in the first half of 1998. The government tax bureau was quoted as saying the figure accounted for 46.6 per cent of the target for the year. **James Harding, Shanghai**

ASIAN TOURISM

Japanese make fewer visits

The number of Japanese travelling abroad this summer fell to its lowest level in 18 years, according to an industry poll released this week. The trend reflects the fall in Japanese consumer demand due to domestic economic decline, and turmoil in markets elsewhere in Asia.

The number of Japanese who took trips overseas this summer slipped 3.4 per cent year-on-year, from 3.2m to 3.1m, according to a poll by the Japan Travel Bureau. This was in contrast to the 1.4 per cent increase in domestic tourism, from 79.4m to 80.5m last year.

Travel to south-east Asia, Australia and New Zealand suffered the greatest decline. Although the number of tourists who travelled to Hong Kong and Thailand was steady, travel to Indonesia fell over 30 per cent, from 94,000 to 63,000 people. Korea, where the won has fallen sharply against the yen because of the financial crisis, actually attracted more Japanese tourists. **Alexandra Harney, Tokyo**

VIETNAM UNREST

Prison sentences for protesters

A court in Vietnam has handed out prison sentences to more than 30 people involved in a wave of rural unrest which broke out last year in the northern province of Thai Binh.

The disturbances, which followed peaceful protests against corrupt local officials, deeply shocked the Communist party leadership in Hanoi and provoked a wave of self-examination in party ranks. At the height of the protests in November last year, some 300 villagers attacked the offices of the local people's committee, and then took hostage more than 20 policemen who had been sent to restore order.

In a report on the trial published yesterday, the official party newspaper, Nhan Dan, described the defendants as "extremists". The paper said one defendant, Dao Van Ta received an eleven-and-a-half year sentence, while other sentences ranged from 18 months to nine years. Following the protests, the head of the province's party committee was removed. **Jonathan Birchall, Hanoi**

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TAINTED BLOOD CHARITY FACES THREE CLASS-ACTION LAWSUITS ALLEGING IT FAILED TO USE INEXPENSIVE TESTS TO SCREEN DONATIONS

Canadian Red Cross seeks bankruptcy

By Edward Alden in Toronto

The Canadian Red Cross Society will seek bankruptcy next week to protect itself against claims of more than C$5bn (US$3.4bn) in lawsuits filed by Canadians infected with tainted blood in the 1980s.

The 102-year-old charity, known for its work in disaster relief and social services, has been tarnished by its role in supplying blood that infected some 60,000 Canadians with hepatitis C and about 1,400 with the virus that causes Aids. It faces three class-action lawsuits in the provinces of Ontario, Quebec and British Columbia over its role in supplying infected blood to 22,000 patients out of the wider group who were infected between 1986 and 1990.

The lawsuits allege the society failed to use inexpensive tests that were available after 1986 to screen blood donations for hepatitis C.

The bankruptcy application, if accepted by the courts, will allow the society to reorganise and continue its other activities while shielding itself from the lawsuits.

The federal and provincial governments decided last year after a long and bitter public inquiry to take control of the nation's blood supply away from the Red Cross and turn it over to a new independent agency to be known as Canadian Blood Services.

That new agency insisted it would not absorb the liabilities of the Red Cross and pressed the society to seek bankruptcy, according to a source familiar with the negotiations.

Dawna Ring, representing individuals suffering from Aids and hepatitis C, compared the Red Cross's action to that of Dow Corning, which manufactured breast implants, in using bankruptcy laws to seek protection from class-action lawsuits. "The Red Cross has always relied on provincial and federal governments to pick up their tab," she said.

The society, for instance, contributed only C$5m of the roughly C$400m paid out by governments and pharmaceutical companies to transfusion patients infected with the Aids virus.

But Durhane Wong-Reiger, president of the Canadian Haemophilia Society, said the blood victims had never expected to receive much in compensation from the Red Cross and had focused their efforts instead on a government compensation package.

The federal and provincial governments have pledged C$1.1bn to hepatitis C victims, but have been under fire for refusing to compensate those infected before 1986. The federal government survived a vote of confidence on the issue earlier this year.

The bankruptcy application will be made as part of a deal next week in which Canadian Blood Services will acquire the blood assets of the Red Cross for C$150m. That will allow time for creditors to file their applications with the courts and for the bankruptcy to be approved before the new blood agency begins operating on September 1.

Criminal trial starts of ADM executives

By Nikki Tait in Chicago

The criminal trial of executives at Archer Daniels Midland, one of the US's biggest and most politically connected agribusiness companies, got underway yesterday.

The case, which centres around price-fixing charges which have beset ADM for almost three years, promises to be one of the most closely watched in US corporate history.

The charges first surfaced in mid-1995, when the company – which has its headquarters in Decatur, Illinois, and which has a hand in everything from cocoa to cattle feed – revealed it was the target of a criminal antitrust investigation. It quickly became clear the Federal Bureau of Investigation had had a "mole" at the company – Mark Whitacre, one of ADM's top executives – for close to three years and numerous private meetings (between ADM executives, and competitors) had been secretly recorded.

Three products were said to be under investigation: high-fructose corn syrup, used in soft drinks, bakery products and jams; citric acid, a flavour enhancer; and lysine, an amino acid used in animal feed and designed to help animals build lean muscle quickly.

A year later, ADM settled its case with the US Department of Justice, pleading guilty to price-fixing in the lysine and citric acid markets and paying a $100m fine, a record criminal antitrust penalty.

Since then, some of the numerous suits brought by angry customers, who claimed to have been overcharged, have also been settled, with ADM repaying tens of millions of dollars to consumer product companies such as Procter & Gamble and Philip Morris.

That plea agreement protected most ADM executives from further prosecution, including Dwayne Andreas, the company's chairman, and his top lieutenant, James Randall. But it did leave the door open for criminal charges to be pursued against two individuals: Mick Andreas, ADM's vice-chairman, Dwayne's son and potential successor, and Terrance Wilson, president of the corn-processing division.

This is the case beginning in Chicago. The prosecution's complaint is straightforward: that Mr Andreas and Mr Wilson, together with Mr Whitacre and Kazutoshi Yamada, managing director of Japan's Ajinomoto, conspired to fix the price of lysine and allocate its sales volumes worldwide for about three years.

According to prosecution documents, lysine had become a $650m-a-year market by 1995. Ajinomoto was the biggest player, with a 34 per cent share. ADM, which virtually doubled world production when it moved into the synthetic lysine business in the early 1990s, building a huge new processing plant in Decatur – had around 26.4 per cent. The three other producers were Kyowa of Japan, and South Korea's Sewon and Cheil. Like ADM and Ajinomoto, they have already agreed to pay fines for participating in the lysine conspiracy.

With Mr Andreas and Mr Wilson pleading not guilty, much of the case is expected to focus on Mr Whitacre's role at ADM. The former FBI mole was fired shortly after the investigations came to light amid accusations that he had embezzled millions of dollars from the company. Last year, Mr Whitacre pleaded guilty to 37 counts of fraud, money-laundering and tax evasion, and is now serving a nine-year sentence. But if his credibility has been tainted, the US attorney will have the secret recordings which the former ADM executive made as the FBI's mole.

Venezuela paying the price for defence of currency

By Raymond Colitt in Caracas

The Venezuelan government, facing labour unrest and a deepening budget crisis, may be paying too high a price to defend the currency, analysts say.

In just five days the central bank has been forced to sell more than $600m in reserves to meet dollar demand, and the Caracas stock exchange index – down more than 55 per cent for the year to date – is at its lowest level since September 1996.

International reserves, which still cover at least 13 months of imports, have fallen from $16bn to $14.76bn within a month. Debt service payments of more than $3bn in the second half will make further inroads.

Miguel Octavio, chief analyst with Bancaracas, a local investment bank, said reserves could drop to critical levels if $4bn of stabilisation bonds maturing in coming weeks are taken out of the country. "The government can continue defending the bolivar. The question is at what cost."


Hugo Chávez: leading in polls ahead of December's election

To slow capital flight, the central bank has tightened its monetary policy and increased interest rates, sending shock waves through the financial sector.

Average bank lending rates have jumped from 45 per cent in June to 60-70 per cent. The inflation rate is expected to end the year at 30-35 per cent.

The government's failure to honour public debt bills last week, though not uncommon, heightened investor nervousness and led to cash flow problems with some banks, driving up the overnight inter-bank lending rate to 120-140 per cent two days ago.

The interest rate rise is taking its toll. After an unprecedented credit boom last year, many consumers and producers are now struggling to meet debt payments. Farmers and small businesses are particularly hard hit. "Demand even for basic foodstuffs is down considerably," said Rodrigo Agudo, head of the Venezuelan association of food producers.

Gross domestic product growth this year is forecast to slow to about 1 per cent, from 5.1 per cent in 1997.

Banks, which were far more robust than before the 1994 financial crisis, now expected their bad loans to increase and were raising their provisions accordingly.

Even Francisco Debera, superintendent of banks, this week said interest rates above 60 per cent represented "a critical situation for the banks".

Political and fiscal uncertainty is likely to continue, thus maintaining pressure on the bolivar.

The possibility of a win in December's presidential elections for Hugo Chávez, left-leaning former coup leader and front-runner in opinion polls, is unlikely to diminish. Equally, the government's financing plans will not be in place for several months.

The underlying problem is the government's lack of credibility and Venezuela's record of repeated devaluations to cover fiscal deficits.

Despite repeated denials of an imminent devaluation by President Rafael Caldera, many Venezuelans swap their pay into dollars or spend it on durable goods. "Expectations of a devaluation will continue regardless," said Mr Octavio.

Teodoro Petkoff, planning minister, admitted recently that raising interest rates further to ease pressure on the currency is inappropriate. Instead, the central bank is more likely to adjust the exchange rate band to allow for a more accelerated, but still gradual, depreciation of the bolivar.

"The government will do everything possible to avoid a devaluation," said one Caracas broker. "The problem is, its options are becoming very limited."

Wall St firms start settlement talks with SEC

By William Lewis in New York and Richard Wolffe in Washington

The Securities and Exchange Commission has begun settlement negotiations with a number of Wall Street firms related to allegations that they rigged prices on the Nasdaq stock market.

The negotiations follow a decision by SEC officials investigating the long-running case, that "enforcement action is warranted", said one person with knowledge of the negotiations.

The SEC has in recent weeks been informing more than thirty Wall Street firms and approximately 100 traders that it is preparing possible sanctions against them that could lead to fines and other penalties.

People close to the negotiations stressed that they were at an early stage but that if successfully completed, it could lead to a settlement covering all investment banks involved.

The investigation dated back to 1994 when a study by two academics suggested Nasdaq dealers "tacitly collude" on prices. The study said dealers on the Nasdaq colluded to keep spreads between buy and sell prices unnecessarily wide.

Wide spreads are regarded as bad for investors because they deny them the opportunity to pay a little less when buying a stock or receive a little more when selling. For dealers, the wider the spread, the bigger the profit.

In December, the Wall Street firms, which act as dealers on Nasdaq, agreed to pay a total of more than $1bn to settle class action litigation brought by investors. The investors had alleged that market makers at the firms conspired from 1989 to 1994 to keep the trading spreads between the buy and sell price of 1,659 Nasdaq stocks overly wide.

In 1996, 24 Wall Street firms settled with the Justice Department, which together with the SEC had begun probing the National Association of Securities Dealers, which operated the Nasdaq market. The firms agreed to strengthen management control of the Nasdaq traders they employ.

People close to the negotiations said that the SEC was seeking a settlement for "efficiency reasons".

Argentine minister rules out run on peso

By Richard Lapper and Ken Warn in Buenos Aires

Argentina's economy minister, Roque Fernández, has dismissed the possibility of a run against the country's currency – the peso – amid signs that the financial system continues to strengthen.

A "speculative attack against the peso is impossible," he said in an interview.

Measures to cut this year's spending by about $1bn and freeze several ambitious public works projects were sufficient to reassure international investors about Argentina's ability to withstand pressures stemming from the crisis in Asia.

"We don't believe we have to take other measures. We don't see that there is a necessity," said Mr Fernández. Argentina was most exposed to the crisis in Asia through a possible rise in international interest rates, he said.

The comments came as bank deposits, which fell by 18 per cent during the 1995 "Tequila" currency crisis, registered fresh growth, reflecting the confidence of savers in the country's currency and exchange rate regime.

The peso has been tied at parity to the dollar under a monetary board system since 1991.

Bank deposits reached $75.5bn by the end of June, giving a rise of 15.5 per cent in the first six months of the year. International reserves also recorded new highs at the end of last month, rising to $23bn.

As a result of high levels of liquidity, short-term interest rates have fallen from 9 per cent last October to less than 7 per cent.

Argentina's stock market – hard hit along with other emerging markets by the Asian crisis and international financial instability – has also risen strongly in the last few days.

A rise in international interest rates would increase the cost of servicing the public debt, Mr Fernández said. At present, however, he expected to meet a fiscal deficit target of 1 per cent of gross domestic product, in spite of lower than expected tax receipts during the first half of the year.

Declines in commodity prices are depressing export growth and higher imports have aggravated pressure on the external accounts.

But Mr Fernández downplayed the significance of the current account deficit, which economists expect could exceed $14bn this year, or some 4 per cent of GDP. He said that rises in capital goods imports were clearly linked with flows of direct investment.

"If foreign direct investment falls then the current account deficit will fall."

A new labour reform was "probably not as great an advance as some economists expected," conceded Mr Fernández. The new law, currently before Congress, will limit the use of flexible short-term labour contracts.

Changes to traditionally rigid labour laws feature among the list of conditions laid down by the IMF as part of a $2.8bn extended fund facility agreed in February. An IMF mission is due to visit Buenos Aires in the next two weeks.

US tax reforms pass last hurdle

By Richard Wolffe in Washington

Congress yesterday passed the final stages of wide-ranging legislation to overhaul the embattled US tax service.

With an overwhelming majority in both the House and the Senate, the reforms of the Internal Revenue Service now go to president Bill Clinton who is expected to sign them into law soon.

Senators yesterday voted 96-2 to back the final version of the new legislation, which offers taxpayers improved protection against IRS abuse. The House backed the laws by 402-8 last month.

The reform measures – the most radical changes to the IRS in a generation – establish new oversight of the agency and a restructured organisation.

It also shifts the burden of proof from the taxpayer to the IRS in many court cases, and allows taxpayers to sue for up to $100,000 for IRS negligence.

MILLENNIUM MOST GROUPS EXPECT TO HAVE UPGRADED COMPUTERS BY END OF 1998

US optimism over 2000 bomb

By Tracy Corrigan in New York

Most US companies expect to have finished upgrading computer systems to deal with the millennium bomb by the end of 1998, but are reporting higher compliance costs than outside the country, according to a worldwide survey of companies published by Merrill Lynch, the US brokerage, yesterday.

Compliance costs are not expected to have a large effect on US corporate earnings – though there could be some revenue shortfall in the short term if operations are affected. In the US commercial banking sector the median company's estimate of compliance costs is 33 per cent higher than a year ago and represents almost 3 per cent of total 1997 expenses. But a further 50 per cent increase in estimated costs would only reduce 1998 earnings estimates by about 2 per cent, the report says.

Companies expressed concern they would be hit by compliance failures in suppliers and customers. Some said problems could be acute if government agencies and regulators fail to comply.

Many observers have said the complexity of networking and interfacing systems increases the potential for a year 2000 meltdown, but Merrill believes the complexity and dispersion of these systems, is "insurance against a complete shutdown of commerce when the millennium starts".

Jeanne Terrile, the analyst who wrote the report's overview believes "there won't be a domino effect, because there are lots of switches throughout the system that will put on brakes". She says modern management practice has exacerbated an essentially simple problem, for example with just-in-time inventory practices and outsourcing increasing vulnerability.

Among 460 Asian companies surveyed, 72 per cent of companies expect to be compliant by the year 2000. In Indonesia and China fewer than half of the companies surveyed expect to be compliant, while in India 97 per cent expect to be compliant.

However, because many Asian banking systems are newly automated, they are already compliant.

ORANGE ORDER FIRST MINISTER WARNS THAT SEARCH FOR SOLUTION IS 'RUNNING OUT OF TIME'

Talks fail to end N Ireland deadlock

By John Murray Brown in Belfast

David Trimble, Northern Ireland's first minister, last night warned the search for a solution to the Drumcree marching stand-off was "running out of time". He cited "elements here who will take advantage of the quite understandable protest the Orange Order have organised in order to create mayhem".

His comments came amid security concerns that the Drumcree protest could be swelled by thousands of other Protestant Orangemen ahead of the main July 12 parades.

The protest began on Sunday when thousands of Orangemen halted at a barrier preventing them continuing their traditional march along the nationalist Garvaghy Road. The barrier had been erected by British soldiers to enforce an order of the independent Parades Commission. Orangemen and their supporters have since been camping by the barrier.

With extra British troops expected in the region today, tension is rising ahead of Monday's big commemorations of the Battle of the Boyne, with reports that other marches will be cancelled and Orangemen instructed to join their "brethren" at Drumcree. In the July 1690 battle, the Protestant Prince William of Orange defeated the Roman Catholic King James II of Britain and became King William III.

As Tony Blair, the UK prime minister, met Orange Order leaders in London yesterday, Mr Trimble stepped up his efforts. He held his first meeting since the crisis began with the organisation's Grand Lodge. He earlier warned "the weekend carries with it grave risks for society in Northern Ireland".

Mr Trimble is understood to be seeking to persuade moderate Orangemen – many of them supporters of his Ulster Unionist party – to isolate the hardliners. Many of them are linked with the rival Democratic Unionist party, which opposes the peace agreement reached in April.

His comments were seen to be targeted at Joel Patton, of the Spirit of Drumcree group and other hardliners. Mr Patton said yesterday the Orangemen should use the crisis to bring down the new Northern Ireland assembly.

Mr Patton had earlier reacted angrily when Mr Blair repeated that the Parades Commission ruling on the Garvaghy Road would stand. But senior figures were quick to distance themselves from David McNarry, a Grand Lodge official, who appeared to threaten to "paralyse the country in a matter of hours" if the march was not let through.

In addition to arson attacks on property, almost 20 Roman Catholic families have had to be re-housed as a result of intimidation, police said yesterday.

INWARD INVESTMENT HELLER CHIEF PREDICTS THAT RISE OF POUND TO DM3 LEVEL IS SHORT-TERM

German group may enlarge machine tool plant

By Peter Marsh in London

Heller, one of Germany's biggest machine tool companies, is considering further expansion at its UK plant to boost output of a "value for money" device made only in Britain and mainly for export.

The plan bucks the trend in UK manufacturing, in which output is falling as pessimism increases over the effects of the high pound.

Berndt Heller, managing director of the family-owned company, said output from the plant at Redditch in the English Midlands could expand to DM200m–DM300m ($166m) a year from DM60m.

The plant, which employs 130 people, exports its entire production to meet strong demand primarily in mainland Europe. Heller completed the factory in April to replace one built in the early 1980s.

"We are quite satisfied with our performance in Britain," Mr Heller said in an interview at the company's headquarters at Nürtingen, near Stuttgart. The strength of sterling in the past 18 months has put pressure on exporters' margins but Mr Heller sees the rise in the pound to about DM3 as a "short-term phenomenon".

He said he was "fairly confident" that Britain would decide before too long on joining the single European currency, due to start next year, with the pound's level probably stabilising against other main currencies.

Heller expects to have worldwide sales this year of about DM500m. It is one of the world's biggest producers of machining centres used to fashion metal parts with high accuracy. Its expansion in the UK was decided earlier in the 1990s as an alternative to expansion in the former East Germany. The new Redditch plant, which cost DM10m, has been used as a test bed for new techniques in flexible working which Heller deemed too difficult to introduce at Nürtingen, where the company employs 1,400. Britain's lower labour costs were also an attraction.

Heller's new range of UK-made machining centres cost up to DM500,000, significantly less than most of the machines made in its German plant.

At present 80 per cent of the components for the UK-made machines are imported, some from the company's main German plant, in a move which offsets some of the disadvantages of the high pound. But Mr Heller said the company intended to bring down this proportion to 40 per cent.

Berndt Heller, at the company's Nürtingen factory: "We are quite satisfied with our performance in Britain" Stefan Boness/IPON

Inquiries from Japan increase

Japanese groups have shown increased interest in the West Midlands region of England over the past year according to its development agency, Juliette Jowit in Birmingham writes. There were a record 85 investment projects last year and a shift from manufacturing towards financial services and research. The agency said the strong pound caused a fall in German projects. Paul Richards, agency director, said many inquiries were from Japanese car component suppliers for the new Honda plant in south-west England and Toyota plants in Wales and France. Officials in Birmingham also report a surge of interest from US companies since President Bill Clinton visited the city for the G8 summit in May.

Industry relieved as interest rates are unchanged

By Robert Chote, Economics Editor

Industry breathed a sigh of relief yesterday as the monetary policy committee of the Bank of England, the UK central bank, voted to leave interest rates unchanged at 7.5 per cent.

"This decision clearly reflects the Bank's recognition of the weight of recent evidence in support of economic slowdown," said Ian Peters, deputy director general of the British Chambers of Commerce. "Any further rise would have been ill-judged and plunged the manufacturing sector even deeper into recession."

Following standard practice when leaving rates unchanged, the committee offered no explanation for its decision, which followed a day and a half's discussion.

Gordon Brown, the chancellor of the exchequer, blamed the need for continued high interest rates on excessive pay settlements. He said the economic slowdown was necessary and defended his decision to hand responsibility for rates to the Bank.

"We are moving the British economy from what has been an inflation-prone, stop-go or boom-bust economy in every cycle we have seen in the past, to an economy which is capable of sustained and consistent and steady growth," he said.

City of London economists had narrowly predicted that rates would remain on hold. Short-sterling futures contracts increased sharply following the announcement, pricing in one more quarter-point rise by the end of the year.

The pound rose 0.6 pfennigs to DM2.982. Analysts said it had been buoyed by expectations of a rate rise in coming months.

The committee had to balance evidence of weaker economic activity – even in the robust service sector – against that of inflationary pressure in average earnings growth.

Ken Jackson, general secretary of the Amalgamated Engineering and Electrical Union, said the Bank had left thousands of factory jobs hanging in the wind by failing to rule out further rate increases.

"The Bank has added to the climate of industrial uncertainty," he said. "Recent statistics show exports are falling, output is stagnant and the trade gap is growing, yet the Bank has left industry unable to plan for the future."

Kate Barker, chief economist at the Confederation of British Industry, the biggest employers' lobby, said the decision struck "the right balance between concerns over inflationary pressures in the labour market and mounting evidence that the economy is slowing significantly."

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Blair opposes extra curb on utility profits

By David Wighton, Political Correspondent

Tony Blair, the prime minister, is set to veto proposals to force utilities to share windfall profits with consumers by changing the system of price regulation.

Close colleagues say Mr Blair believes the current price cap regime – "inflation minus x", in which x is set by a regulator – is working well and automatic profit-sharing would be against consumers' interests.

The decision to scrap the Labour government's long-standing plan will be welcomed by the City of London, which has warned it would undermine the incentive for efficiency and could raise companies' cost of capital. The proposal has also been criticised by the Confederation of British Industry, the employers' lobby, and the utility regulators.

Margaret Beckett, the chief industry minister, has been an enthusiastic proponent of the idea, which featured in a government consultation document in March. It proposed introducing an "error correction mechanism" which would pass on to consumers windfall profits caused by "specific factors" outside companies' control.

But at the insistence of the prime minister's office the document said the government would also consider continuing to rely exclusively on the existing system of price regulation.

It is understood the responses to the consultation have been largely hostile. The CBI criticised the idea of "a formulaic and generalised" error correction mechanism which "could undermine the incentives for efficiency gains and innovation". But it said the regulators' powers to intervene in exceptional circumstances between price reviews should be retained.

The utilities have argued that such a mechanism should also allow unexpected cost increases to be passed on to customers.

Labour has significantly scaled down plans for the reform of utility regulation developed in opposition, with senior government members acknowledging that many early problems have been ironed out.

But ministers are still keen to examine ways of using regulation to restrain directors' pay.

In the consultation document, the government proposed ensuring a "closer link between directors' remuneration and the achievement of rigorous customer service standards". But the CBI has warned the government against giving regulators any direct role in executive pay.

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NEWS DIGEST

CANTRADE AFFAIR

Judge scorns appeal by jailed currency trader

Jailed currency trader Robert Young was told by a Jersey Court of Appeal judge yesterday that he was lucky to receive a prison sentence of only four and a half years for a fraud that had "a damaging effect on public confidence in the standing of the offshore centre". Richard Southwell said: "You were fortunate. The court could have imposed a sentence of six years [as the prosecution had sought] and, had it done so, it would have been unlikely that an appeal would have succeeded." Dismissing Mr Young's appeal, Mr Southwell said that there was no basis for reducing the sentence for what he described as "a clear breach of trust" and "a calculated fraud over five years". Eighty-four international investors lost $10m in the currency deals carried out by 44-year-old Mr Young through UBS subsidiary Cantrade Private Bank Switzerland (CI).

Mr Young reported that he was making profits when he was incurring big losses. Cantrade, which has so far paid out $3.5m in compensation, pleaded guilty to four charges of criminal recklessness and was fined £3m – the biggest fine ever imposed by a Jersey court. **Philip Jeune, Jersey**

PENSION FUNDS

Ethical investment law possible

Pension funds could be forced to consider ethical and environmental investment methods under proposals from John Denham, the pensions minister, last night. He said he was "minded" to change the law to require company pension funds to tell their members what their "ethical investment" policies are. The government is also considering a stamp of ethical approval for pensions. Mr Denham told the UK Social Investment Forum that if he changed the rules, "my officials will monitor the effects of the change to seek evidence that all trustees are considering ethical investment". The social security department said there was "no question" of the government forcing public sector pension schemes to invest a fixed quota of their funds "ethically", as in Sweden, Norway and Switzerland. "It would not be appropriate for a minister to advocate any form of investment strategy," the official in charge of developing the policy said. But he expects trustees to boycott many polluting businesses and other "unethical" investments once they realise it is within the law. Most trustees believed it was illegal to take ethical considerations into account. **James Mackintosh and Jane Martinson, London**

PORT OF LONDON

Warning on expansion potential

Further expansion of the Port of London, the UK's busiest port, will be hampered unless steps are taken to protect vital sites along the river from housing and leisure development, the Port of London Authority said yesterday. The port handled 43m tonnes of cargo last year, excluding aggregates and expects volumes to rise by 56 per cent to 67m tonnes in 2020. The port handles 10 per cent of total UK seaborne trade, including aggregates, and provides direct and indirect employment for 37,000 people. It covers 150km of the tidal Thames from Teddington in west London to the sea, taking in large terminals such as Tilbury. It comprises a total of 110 cargo terminals – of which only 78 are currently in operation – which handled 30,427 vessel arrivals and departures last year.

"The river is increasingly being seen as a backdrop for new developments," the port authority said. "Riverside sites are being redeveloped for mainly residential, business and leisure uses. **Charles Batchelor, London**

COMPETITION POLICY

MPs rebel over Murdoch press

The government suffered an embarrassing revolt over newspaper predatory pricing in the House of Commons late on Monday as 23 MPs in the governing Labour party challenged the marketing strategy of Rupert Murdoch. Several senior Labour MPs defied government whips and backed an amendment designed to stem the power of Mr Murdoch. His papers include the Sun and News of the World – respectively the top-selling daily and Sunday papers – and The Times. Voting on the amendment was 301 votes to 68, a government majority of 233. But it was the third-largest backbench rebellion since Labour took office in May 1997. The rebel amendment called for a lower "significant ownership" threshold in the definition of newspaper market domination to make it easier for competition authorities to investigate predatory pricing and fine offenders. **Liam Halligan and David Wighton, London**

MILLENNIUM CELEBRATIONS

Officials to examine dome use

Tests the government will apply to decide the millennium dome's use after 2000 were announced yesterday by Peter Mandelson, minister without portfolio. He was appearing before the House of Commons culture committee for the first time since it warned last December that the £758m ($1.2bn) dome in south-east London was a "journey into the unknown". Yesterday he assured the MPs he knew where it would lead. He announced that a working party of officials had been set up to examine the structure's long-term use. It will make a preliminary report to the prime minister by the end of the month. There had been expressions of interest in sport, leisure and commercial uses for the dome, Mr Mandelson said, including a proposal by London First, the capital's private sector group, to turn it into an international convention centre. Ministers will make no decision on a sale until 2000, hoping its value and potential will have become clearer. **Brian Groom, London**

Bus modernisation boosts vehicle sales

UK truck registrations: June 1998

	Jun 1998 Volume	% chg	% share	Jun 1997 % share	Jan-Jun 1998 Volume	% chg	% share	Jan-Jun 1997 % share
Total	4,520	26.7	100.0	100.0	25,610	20.5	100.0	100.0
Imports	3,257	54.6	72.1	59.1	17,811	44.4	69.5	69.6
Leyland Daf (Paccar**)	952	54.5	21.1	17.3	5,182	21.9	20.2	20.2
Iveco Group*** (Fiat)	1,031	5.7	22.8	27.8	5,021	14.6	19.6	19.6
Mercedes-Benz (Daimler Benz)	712	28.1	15.8	15.8	4,094	31.2	15.9	16.9
Volvo	556	71.1	12.3	9.1	3,130	31.7	12.2	12.2
Scania (Investor)	319	-8.5	7.1	9.8	2,628	16.1	10.3	10.3
MAN	372	7.5	8.2	9.7	2,130	38.2	8.3	8.3
ERF	205	28.9	4.5	4.5	1,377	38.8	5.4	5.4
Renault	176	85.3	3.9	2.7	1,043	51.4	4.1	4.1

Names in brackets indicate ownership. ** Paccar also owns Foden. *** Includes Iveco, Ford and Seddon Atkinson
Source: Society of Motor Manufacturers and Traders; industry estimates

By Haig Simonian, Motor Industry Correspondent

Privatised operators modernising Britain's ageing buses helped push sales of new commercial vehicles up by 27 per cent to 25,171 last month.

Bus sales increased by nearly 35 per cent, raising registrations in the first six months of this year by more than 15 per cent to 2,476.

The buoyant bus figures were one facet of a strong month for commercial vehicles, with sharp rises in every category. Registrations of trucks of more than 3.5 tonnes jumped nearly 27 per cent to 4,520, while sales of light commercial vehicles were up by more than 28 per cent to 7,033. Total commercial vehicle registrations in the first six months climbed by almost 13 per cent to 149,592.

The figures suggest continuing buoyancy in the economy – despite the slowdown in manufacturing – and indicate business remains strong in truck-dependent sectors such as retailing and distribution. Manufacturers also pointed to the increasing number of financial packages available to operators, many from tied financial service groups. Intense competition has also led to particularly keen pricing for many products.

The increase in bus sales, a feature of commercial vehicle registrations for some time, reflects the venerable age of Britain's bus fleet.

Some 55 per cent of the UK's 79,000 buses are more than 10 years old.

BUSINESS LUNCH SIR COLIN CHANDLER, VICKERS

Arms and the manure expert

Lucy Kellaway sips champagne with a chairman too busy to read or play tennis

Sir Colin: 'I never get enough solitude. I want to stick my feet up and read a book' Malcolm Watson

In my handbag is a card. On one side it says Sir Colin Chandler Chairman Vickers plc. On the other side the name of a garden compost has been written in a strong hand in blue-black ink.

Sir Colin knows his manure. He and his wife own an original Gertrude Jekyll garden in Surrey, and there is nothing he likes more than shifting the muck from one terrace to another. Unfortunately, his other life as chairman of Vickers has been interfering recently. Since last September he has been so busy selling Rolls-Royce Motor Cars that he has had no time off at all.

Yet the man who I had lunch with at The Capital Hotel round the back of Harrods looked like someone for whom life was pretty easy. Tanned, friendly, and relaxed, he seemed intent on enjoying himself.

"You spend a lot of time eating, so why not make the most of it?" he said cheerfully. "You know what I normally have? A glass of champagne. And if it goes well, and we want another – fine!"

According to this system, the lunch did not go well: the prospect of a second glass was never mentioned. Yet Sir Colin showed no sign of finding the event tiresome. Far from it. He settled into a series of anecdotes, each told with gusto. How some colleague was fooled into thinking that the vodka drunk on a business trip to Finland was wine. How one (well-known) ex-boss tried to ingratiate himself with a client by calling him by his first name, only he had got the name wrong.

Some stories were funnier than others, but all had one thing in common: the butt of the joke was always someone else. But then it was perfectly obvious, even on the briefest acquaintance, that Sir Colin would *never* have muddled someone's name. *He is a superb salesman*, good at judging his audience, and particularly good at selling things to foreigners. The Rolls-Royce sale was the latest in a series of deals, the most famous being the multi-billion Al-Yamamah arms sale to Saudi Arabia which he clinched when on secondment to the Ministry of Defence and for which he was knighted.

So what was it like negotiating with VW and BMW?

"Ya! Ze Tchermans!" he said, in a *stage accent*, and laughed. This was delightfully un-PC, but I wondered: was it wise? Does he speak German, I asked. No, was the answer, although he assured me he could say *ausgezeichnet* (excellent) and *Das ist nicht genug* (that is not enough), both of which had apparently come in handy. Despite this language deficiency, one could imagine his counterparts looking into the clear blue eyes of this Englishman, and being inclined to believe what he said.

As we sipped our champagne, he told me the secret of being a good negotiator. "Be fairly humble," he said. "People will try to appeal to your ego. *It is disarming*. You may be tempted to say things. You should not make too many emotional displays. If you go over the top emotionally, you have to climb down."

It is hard to imagine Sir *Colin ever going over the top* emotionally. He seems a stranger to stress. Indeed, he cannot recall a time when he was ever under any. "I realise that it is a job," he explained. "It is a profession. Something you are paid to *do*."

Sir Colin has recently spent some time acquiring self knowledge as a manager: he and his team have just been through a corporate group therapy session. "I personally didn't find it *too* bad," *he boasted*, "but some colleagues did. We bared our souls to each other."

He proceeded to say something that made me wonder how much of the team stuff had really rubbed off. "The people who have disappointed me at work have not added value. I have said to them: I don't need you. I can do that."

'The people who have disappointed me at work have not added value. I have said to them: I don't need you. I can do that'

Is he finding it hard, I asked, having given up half of his job to Paul Buysse, the new Belgian chief executive? "Yes," he admitted at once, but then insisted that the "chemistry" between them was excellent, and that they *had firm rules on who does* what. As he told it, it sounded as though he would remain in charge of all the fun bits, leaving Mr Buysse to get on with the nitty-gritty.

The problem with his life, *he suddenly said, is that he* does not get any time on his own. "I never get enough solitude. I want to stick my feet up and read a book." At the minute, his only leisure is playing tennis at 7am on Fridays when his diary permits.

He also would like to spend more time with his wife, who is not happy about how little she sees of him.

"She moans a lot," he said, still looking happy. "It's very healthy. If she stopped moaning, I'd start worrying and realise we've got the same milkman when we lived 25 miles away."

The same what? I asked, unable to believe I had heard right.

"Milkman," he repeated.

We both paused to admire an elegant dish of sea bass and black beans, and cagily I brought up the subject of Sir Dick Evans, the boss at British Aerospace who beat Sir Colin to the top job there and who is supposed to be a *lifelong rival*.

"The great thing about Dick is that he has matured enormously. Enormously. It is pleasing, as British Aerospace is important to the nation." Sir Colin said, sounding more than a touch patronising.

"People don't believe this of me. When I came out of the MoD, I went to see Sir Raymond Lygo. He said: you are a candidate for chief executive. I said: I don't think so. You should go and hire Chris Hogg – one of the big hitters. But no one believes me. They think I am power mad.

"When Dick got the job, I told him I couldn't work with him. He was very gracious. He said the difference *between you and me is that I* could work for you but you couldn't for me."

He glanced at his watch, and said that he must get off to a meeting in the City.

"That was good, wasn't it? Excellent!" he said swallowing *the last of a dainty and* delicious little summer dessert. "Well chosen!" he congratulated himself on his fine choice of restaurant.

Does he enjoy talking to his shareholders, *I asked*.

"Sometimes," he replied, and then corrected himself. "Look. I don't want to give you too many ambivalent answers," which was strange, as in an hour and a half he had not given a single one.

He got up to go, and out came his card and his fountain pen. In the manner of one trading secrets, he told me about the best manure in the world.

MANAGEMENT INCREASING PRODUCTIVITY

The inner voice's successful sound

Productivity is not only about efficiency, theorist Richard Lester tells **Victoria Griffith**

Everyone is talking about the Goldilocks economy in the US – low inflation, low unemployment and a soaring stock market – but, according to management theorist Richard Lester, companies will have to run their organisations more intelligently if any of the gains are to be long-lasting.

Low productivity growth, according to Professor Lester, is the tell-tale sign that most corporations are not managing up to par. Since the early 1970s, he argues, US productivity growth has been stuck in low gear, averaging about 1 per cent a year, compared with an average of 2.3 per cent annually during the previous century. These numbers are the biggest obstacle to a large improvement of the American standard of living. There has been some reason for optimism during the past two years, but Prof Lester forecasts that productivity growth will stall unless companies change their ways.

Improving companies' performance will not depend, he says, on short-term efficiency gains such as downsizing and inventory control. Corporations need instead to listen to their "inner voice" – their employees.

Some of the themes in his book, *The Productive Edge**, repeat those of the best-selling *Made in America* he co-wrote with his colleagues from the Massachusetts Institute of Technology nine years ago.

Prof Lester may have a harder time selling his particular brand of pessimism this time. But his soft approach to corporate and public policy may sit more readily with managers whose main concern is attracting – not getting rid of – workers. Some years ago, "Chainsaw" Al Dunlap's hard-as-nails philosophy – which entailed massive lay-offs to improve efficiency – looked smart. Now, as Mr Dunlap's recent loss of his job as chief executive of Sunbeam indicates, acting ruthless is out of fashion.

"People tend to think that productivity is just efficiency," says Prof Lester. "It's not. To get a large boost in productivity you need to do new things in new ways: find new markets, invent new products; in short, you need to be innovative."

The MIT productivity expert recommends devolving more power to workers to unleash their innovative spirit. He points to cases such as General Motor's launch of the Saturn, which turned out to be an enormously popular model.

Lester: soft approach to policy

"The heart of the Saturn organisation is an experiment in labour-management co-operation that is unprecedented in the modern history of US industrial relations," Prof Lester writes. "At every level of the corporation, from the president on down, the local United Auto Workers Union is a full partner of management in decision-making. The union, in effect, is co-managing the business."

It is because of worker empowerment, Prof Lester argues, that the US manufacturing sector has experienced a productivity surge this decade. During the past 12 years, manufacturing has been the only bright spot in an otherwise lacklustre productivity scene.

For worker empowerment to be effective, he argues, companies must carve out an identity that all employees understand. Corporations' "core beliefs" function as the glue that holds the organisation together, and direct workers' movements, even when they are not given specific directions.

"Corporate success is more likely to happen in companies that have a deep conviction about something; it doesn't matter what it is, as long as it's strong and felt at all levels of the organisation," says Prof Lester. As proof, he cites a 1994 study by James Collins and Jerry Porras of Stanford University, which argued that the greatest determinant of success for a corporation is its adherence to core values.

One value must be fairness to its workforce, Prof Lester he says: "If employees don't feel some sense of security, they won't want to take risks, which is necessary to a company's being innovative." He does not foresee a return to lifetime employment, but points to humane ways of dealing with hard times. Levi Strauss, the jeans maker, took a soft approach when it laid off 6,000 workers last year. They were given eight months' notice, three weeks' pay for each year worked, and $6,000 in benefits.

Corporations, however, cannot be counted upon to provide the entire social cushion necessary for workers to operate in the new economy. The US government will have to step in, he believes, with a safety net. This should include a good public education and transferable health benefits.

Prof Lester's arguments are not always convincing. The stories of Saturn and Levi's are inspiring, but sceptics may point out that neither General Motors nor Levi Strauss has been particularly successful in recent years. Safety net questions are also difficult to come to terms with. In today's buoyant US economy, many corporations seem willing to provide one. If employees truly need a support system, companies may be less willing to lend a helping hand.

*The Productive Edge, *published by W.W.Norton, $29.95, available from FT Bookshop. FreeCall 0500 500 635 (UK) or +44 181 324 5511 (outside the UK). Free p&p in UK*

NORMA COHEN
THE PROPERTY MARKET

Return of the aggressive lenders

There is a perception that there is far too much easy money now available to US real estate developers and that underwriting standards are slipping

"Anyone who lived through the last cycle," say the analysts at Green Street Advisors, the independent property share research company, "probably shares our view that the term 'disciplined lender' probably constitutes an oxymoron."

The Newport Beach, California-based analysts, in their May 1998 "Heard on the Beach" newsletter, go on to detail alarming anecdotal evidence of far too much easy money available to US real estate developers.

In particular, they note the explosion in issuance of commercial mortgage backed securities (CMBS), asset-backed bonds that have enabled borrowers to fix their costs long term and cut interest rates. New US CMBS issuance this year is projected to total $80bn (£50bn), much larger than *the $45bn in asset growth* projected for the entire publicly traded property sector.

"Lenders are paid to make loans," Green Street says. "And when the loan officers whose bonuses are contingent on originations are given the green light to do business with developers, it is akin to bringing a keg of beer to a fraternity house."

Still worse, CMBS originators are far removed *from the eventual investors* who will buy the securities and all the potential watchdogs – rating agencies and investment banks – profit as issuance soars, making it unlikely that they will urge caution, Green Street notes.

The Federal Reserve Bank, it seems, has similar concerns about the availability of loans to *property, expressed in a* more restrained fashion.

In a report last week it concluded that there has been slippage in banks' loan underwriting standards.

Although there was no "significant deterioration" in lending standards generally, the examiners concluded "there were particularly clear indications that pricing became more competitive between 1995 and 1997".

The examiners, who *looked at a wide variety of* loans besides property credits, also found that lenders failed to consider "worst-case or downside projections".

The examiners looked at 91 property loans at large US banks. Among their findings were that in the past two years, the average size of a loan has increased; that office-related property loans *are more likely to be priced* over the London interbank offered rate (Libor) rather than the much higher US prime lending rate; and origination and other fees on loans have fallen as well.

However, the news was not all bad. The erosion in loan-to-value (LTV) ratios was somewhat offset by an improvement in underwriting rigour.

The Fed makes it clear that far more money is *available to* real *estate than* it was two years earlier.

In the UK, where property prices have risen sharply, lenders are also aggressively seeking business.

This week, a report commissioned by FPD Savills and conducted by De Montfort University, Leicester, on UK commercial property lending, concluded that fierce competition in property lending has eroded margins and underwriting standards.

The optimism pervading the UK property market in recent years, the report notes, "has translated into fierce competition between lending organisations which has seen the erosion of lending terms and rekindled fears that a boom and bust scenario similar to that of the late 1980s is about to be repeated".

Bankers readily admit that the growing confidence in the property sector is *spurring competition to* lend, and margins are eroding.

"We are in a state of flux," notes one German banker. "A number of our loans have been refinanced at terms which we really could not match."

However, they say there are still no signs that credit is extended foolishly.

"What is happening is that a lot of competition is eroding margins," says John Carrafiel, head of European *real estate at investment* bank Morgan Stanley. "But they are not making reckless loans." Mr Carrafiel argues that the US Fed is needlessly concerned about the rise in unsecured lending to Reits.

"These are operating companies and operating companies know how to borrow unsecured," he says. Reits should not be expected to borrow against their assets any more than other companies.

Meanwhile, loan covenants, such as net interest coverage are as strong as ever, he says.

But it is a sad feature of every property cycle that lenders eventually forget the lessons of the previous turn. Disciplined lending may too easily become the oxymoron Green Street already suspects it to be.

WORLD CUP

TAFFAREL PRESSURE BETWEEN THE POSTS

Keep calm and cover all angles

Tim Vickery on the Brazilian keeper set to complete his third World Cup finals

Keeping goal for Brazil in a World Cup is probably the most daunting job in sport.

There are few opportunities to shine, but one slip can destroy the dreams of 150m people. Barbosa, the keeper in the 1950 final, has never been forgiven for the two Uruguayan goals that cost Brazil the Cup. Manga had to leave the country after a poor performance meant a first-round elimination in 1966.

Taffarel knows all about this pressure. The hero of Tuesday night's win over Holland is now one game away from completing three *World Cups; even so he has* to take a deep breath before explaining how he copes.

"It's a question of balance," he says. "The fundamental thing is to keep calm. A keeper must never get too excited when he has a good game, and can't let his head drop when he makes a mistake."

Brazil's number one has had his temperament fully tested by prolonged exposure to both ends of the emotional scale. Hailed a decade ago as the golden-haired boy of Brazilian goalkeeping, Taffarel had an outstanding *World Cup in 1990.* A point-blank block from Maurice Johnston's last-minute strike ensured Scotland's elimination, and a flying save from a Diego Maradona free kick brought applause from the Argentine.

Taffarel drew praise from no less a judge than Dr Henry Kissinger, who claimed that Brazil had at last found an outstanding goalkeeper. Yet a diplomat would describe the following few years as disappointing.

Taffarel's move to Italian club football with Parma proved to be a frustrating *experience. Only three foreigners* were allowed in the team, and because key players included Thomas Brolin, Nestor Sensini and Faustino Asprilla, Taffarel spent much of his time sidelined.

A compulsive trainer, the enforced inactivity seemed to take the edge off his game, and for a while his place in the USA 94 team was in jeopardy. In the event Taffarel fought off the challenge of the erratic Zetti, and his calm assurance was crucial in the World Cup final against Italy.

After spending much of the game and the tournament as a virtual spectator, he was finally called on to earn his money. His concentration held, and he pulled off vital saves both in the match and the penalty shoot-out.

But even a World Cup winner's medal was not enough to guarantee him a first-team place in Italy, and in 1995 Taffarel returned to Brazil to join Atletico Mineiro. It was not a happy homecoming. Almost immediately he withdrew from the national team after the head of Brazil's football association criticised his efforts in the Copa America.

At the start of last year he announced his willingness to return, and coach Mario Zagallo had no hesitation in giving him his place back.

It was a much criticised move, which seemed all the more bizarre a few months ago when Taffarel lost his club place. The bright but complicated Emerson Leao, Brazil's goalkeeper from the 1970s, took over as Atletico coach and dropped Taffarel for "technical deficiencies".

> **'A goalkeeper must never get too excited when he has a good game, and can't let his head drop when he makes a mistake'**

All Brazil was calling for a new keeper, but Zagallo held firm. Not for nothing is Brazil's coach the only man involved in all four of their World Cup wins.

Zagallo made it clear that whatever happened at club level, Taffarel, now 32, was Brazil's first choice. What appeared to be perverse obstinacy now stands revealed as a masterstroke.

Zagallo has always placed high value on experience in a goalkeeper. When he took over as coach shortly before the 1970 World Cup he wasted no time in confirming the veteran Felix in goal over the promising young Leao. The rationale was that although Felix was not particularly good, the occasion was unlikely to make him worse.

Zagallo also has good reason to remember how the giant Dida buckled under the pressure of the 1996 Olympics.

Despite his lack of height, the 5ft 11in Taffarel has usually come up big when it matters. He appears to grow with the responsibility. Hol*land's Edwin van der Sar* is the tallest keeper in the World Cup, but on Tuesday night Taffarel seemed even bigger.

His calm "seen-it-all-before" demeanour has been even more important this year: Brazil are fielding their weakest World Cup defence since 1962, and without his semi-final saves the dream of the fifth win would be over.

Now Taffarel stands on the verge of emulating Gilmar, Brazil's World Cup winning keeper in both 1958 and 1962.

The impression is that Taffarel was not completely confident about being in this position. Earlier this year he began touting himself for a move abroad. England's West Ham showed an interest, but he eventually signed for Galatasaray of Turkey. Taffarel seemed very keen to get the deal done before Brazil's World Cup campaign unfolded.

His market value would have risen after Tuesday's performance, but that was not a risk Taffarel was prepared to run. He appeared to be taking out an insurance policy against a possible failure by Brazil.

As usual, Brazil's keeper was covering all the angles.

FIFA

Blatter moves to weaken his rivals

There is nothing worse than a family fall-out, and the feuding in the Fifa family – as world football's governing body likes to call itself – when Sepp Blatter was elected president last month was as bad as it gets.

When Blatter was questioned after his victory about allegations of electoral chicanery, he replied: "The match is over now."

Yet as Blatter well knows, the game has only just begun. Yesterday's meeting of Fifa's executive committee – *in effect its board of* directors – with an agenda dominated by administrative reform, was the first big test.

Blatter and his right-hand man Michel Platini have been omnipresent throughout France 98, working the corridors of the football elite's five-star hotels, press receptions and big-match venues. Blatter's electoral pitch was: "All for Fifa, Fifa for all", and he has been at *pains to show that he is* much more than a puppet of João Havelange, the former president who backed his candidacy.

Behind the public persona as the accessible face of the people's game worldwide, Blatter's top priority is to undermine the power that his defeated rival, European football chief Lennart Johansson, wields on the executive.

The numerical dominance of the Europeans, with their allies in Africa and Asia, was seldom a problem for Havelange: in characteristically imperious style, he would simply ignore the executive if it moved against him. In this respect at least, Blatter is right when he says he is no Havelange clone. He will find it much more difficult to intimidate the executive, when more than half its *members probably did not* support his election.

Immediately after the poll, Johansson's camp still held a majority on the executive. There was even talk of an inquiry into the circumstances of the secret ballot of Fifa's member federations.

But as Blatter worked the corridors, holding private meetings with former opponents, including Johansson himself, cracks began to appear in the anti-Blatter alliance. Going into yesterday's meeting, it was by no means certain that out of 24 members, Johansson's 16-strong pre-election camp could be mobilised en bloc in any challenge to Blatter.

The main agenda items *reflected Blatter's desire to* reform Fifa's structures in such a way as to consolidate his control over key decisions. The standing committees are to be reviewed, and the terms of reference of the executive committee reconsidered.

A new, "permanent" executive board will be constituted – a small inner circle that will deal with most of Fifa's everyday business. *This will rob the executive* committee – the members of which are elected at regional level – of much of its constitutional power.

John Sugden
Alan Tomlinson

CLUBS HONOUR MAY NOT BE ENOUGH COMPENSATION FOR OFFICIALS BACK HOME

Top assets in the shop window

David Owen on the risks and rewards for *the clubs with players at France 98*

The tension of the World Cup is bad enough if you are a fan. It must be worse for the chairmen of top clubs, whose most valuable assets are on display to the world and, hence, at risk.

If all goes well, these play*ers may star, enhance their* value and attract more people to their clubs in the coming season.

The London side Chelsea, *for example*, must be pleased with the World Cup performances of its new signings – Brian Laudrup of Denmark and Marcel Desailly of France – although Spanish defender Albert Ferrer was less than impressive.

But equally, they may *flop*, as Jaap Stam, Manchester United's expensive new defender was in danger of doing before his excellent semi-final performance this *week for Holland* against Brazil.

Still worse, they might get injured, like Alessandro Nesta of Lazio and Italy, or Winston Bogarde of Barcelona and Holland.

In fact, France 98 has been marred by mercifully few serious injuries and clubs are no doubt grateful for the crackdown on tackles from behind, which was instigated by Fifa, the game's governing body.

But players inevitably pick up a variety of niggles and bruises in a tournament of such duration and intensity. Officials at Inter Milan must be following the saga of their star Brazilian striker Ronaldo's knee particularly closely.

On one level, of course, clubs are pleased for their players to receive international recognition.

"The club always thinks it is fantastic when players are *chosen for the national* team; it is an honour for the club," says an official at Ajax, the most successful Dutch team of recent times, which had players in the Nigerian and Danish squads at France 98, as well as in its national side.

But even Ajax acknowledges this recognition has associated inconveniences. The official says 1996-97 was a terrible season for the club, partly because of the friction that affected the Dutch national squad participating in the 1996 European championship.

An official at another leading European club with several players on show at the World Cup is more blunt. "There cannot be many organisations that are willing to give up assets worth millions of pounds without getting anything back and with a chance they may come back damaged," he says.

Presumably the top people at this club would have pre*ferred it if its leading inter*national stars could have spent the summer lying on a beach rather than plying their trade against the world's best in French soccer stadiums.

Carlos Tusquets, a former treasurer of Barcelona, the top Spanish club, suggests the World Cup may even be a mixed blessing for "buying clubs" such as Barcelona when players play well. This is because the tournament may "increase the price of the players they might want to buy".

Sidelined: Alessandro Nesta of Italy waves for assistance after the injury against Austria that put him out of the tournament AP

On the other hand, the World Cup is "a shop window" for the players at clubs such as Barcelona, which had individuals in several France 98 squads, including Brazil, Holland, Spain and Colombia. If the profile of such international stars is enhanced by the tournament, organisations wishing to hire Barcelona for one-off matches might be prepared to pay more.

Tusquets also says the level of performance of players involved in the World Cup normally drops after the *tournament. But* "the requirements for training and non-official matches of the national team will diminish".

By the same token, the players who have starred for their clubs in the previous season are not always the most impressive World Cup performers. Players from Real Madrid, the current European club champions, have on the whole disappointed in France 98, as underlined by Spain's early exit. One exception to this rule has been Davor Suker, *the Croatia striker, who has* enjoyed a brilliant tournament. But Suker was often not in the Real Madrid starting 11 in the 1997-98 season.

Clubs and agents also suggest that the World Cup is not the good opportunity for scouting out new talent that it once was. "You are too late when you are scouting at the World Cup," says the Ajax official. "The under-21 championships are where the scouts are. There are even more scouts than visitors."

Jon Smith of First Artist, *the UK's biggest Fifa-*licensed football agent, says clubs are more cautious than after the last World Cup in the US in 1994. "Four years ago, it was 'Let's just buy them'," he says. "Now people are a little more wary, saying 'let's look beyond just what they did here'."

In short, France 98 has done nothing to undermine the view that top club and *international football are* becoming increasingly incompatible. How much longer will decision-makers at leading clubs be prepared to lay their most valuable assets on the line without adequate compensation?

STATISTICS

Batty scores on dribble rate

Football has come late to statistics. Cricket had averages when W.G. Grace was at the wicket and if the good doctor did not know his own, you can be sure someone else did. Athletics has been in *love* with the num*bers game for years* and American football was founded on the principle that there is no such thing as a list too many.

In the past month, football has made a big effort to catch up. Enough statistics have been generated at France 98 to fill a library of Wisdens. But in the headlong charge for information, it has not always been the most useful data that have been thrown our way.

Were you aware, for example, that David Batty had a 100 per cent dribble rate in the England-Argentina game? *Did even* the Argentines know that? The figure can be found in the Carling Opta statistics for the match. There it is in black and white: David Batty, dribbles 1, possession lost 0, dribble success 100 per cent. What a marvellous game he had – until that missed penalty, of course.

Some figures are more intriguing, a few because they seem so unlikely. Can *it really be true, as Carling* Opta states, that Argentina completed 497 passes successfully (from 567) during a game in which the comparable figure for England was a paltry 183 (from 264)? *Juan* Veron, not Ariel Ortega, was statistically the pivotal Argentine, passing to a team-mate 89 times, while losing possession on only 12 occasions. By contrast, the England player with the greatest number of passes was Paul Ince, who was successful with 24 from 28.

The "dynamic method" of analysis, found at the Softsport web site (www.softsport.co) does not concern itself with numbers but with dots. The dots indicate where a player spends his time during a game and is presumably for those people who cannot be bothered to watch the match.

It is not especially useful as regards England goal*keeper David Seaman, since* all the dots, bar two, join up to make one big blob. But such analysis might have warned France before the semi-final against Croatia that Davor Suker does angle his runs from the right as well as the left. That could have saved 60m people about 60 seconds of anxiety before France equalised.

Sadly, the one statistic that everybody would love *to see is not being compiled.* This index would show where each player's shirt was pulled, who perpetrated the crime, at what point in the game and where on the field it happened. The results could be sent to Fifa and it might finally act to end the epidemic. Or not, as the case may be.

Peter Nichols

A new hero for the White Nights

Valery Gergiev has given Prokofiev's long lost opera fresh life, says **Andrew Clark**

It is extraordinary that, nearly 50 years after his death, a major work by one of this century's great composers should remain almost completely unknown. Prokofiev's opera *Semyon Kotko* is the work I have in mind.

Based on a Stalinist novella by Valentin Katayev, it was composed in 1939, first performed in Moscow in 1940 and recorded, extremely poorly, by Melodiya in 1960. Since then, this large-scale product of Prokofiev's maturity has fallen by the wayside, and the Soviet fervour of its choruses is hardly calculated to appeal to audiences today.

So the concert performance conducted by Valery Gergiev at this year's White Nights festival in St Petersburg, was an experiment of unusual significance. Would the music be good enough to carry the embarrassing patriotism of the libretto? Does the opera have a palpable integrity? Is it a work of genius?

Influenced, no doubt, by the eloquence of the Mariinsky Theatre's orchestra, chorus and soloists, who learned the work at six weeks' notice but seemed to have it in their blood, I am tempted to answer "yes" to each question. A more considered judgment must await the expected recording from Philips and a staging which Gergiev has promised for the near future.

Semyon Kotko is an ideal festival project, and it brought the White Nights to a worthy climax. Gergiev is no stranger to Prokofiev's unfashionable scores: two years ago he created a stir in New York when he conducted the *Cantata for the 30th anniversary of the October Revolution* (texts by Lenin, Stalin, Marx) at the Lincoln Center festival. His purpose with *Semyon Kotko* was the same – to demonstrate that Prokofiev's music overrides the political content, and to underline that such works are part of Russian history.

Gergiev has championed Prokofiev's operas ever since his Mariinsky debut 20 years ago with *War and Peace*, but he was not aware of the potential of *Semyon Kotko* until Sviatoslav Richter, the pianist, recommended it *shortly before his death*. *Semyon Kotko* signalled a change of direction for Prokofiev. Having struggled in vain to get *The Gambler* and *The Fiery Angel* accepted in the west, he adapted his principles and theories to suit Soviet arts policy. The melodies were simpler, the subject-matter more folk-nationalistic, and the dramaturgy made use of blatant contrasts. Did this amount to a "deradicalising" of his style, as Opera Grove claims? All it reveals is Prokofiev's underlying commitment to Russian classical tradition.

Anyone who has encountered Glinka's *A Life for the Tsar* will have a sense of *déjà-vu* in *Semyon Kotko*. Set in Ukraine during the post-revolutionary civil war, it tells of a Bolshevik peasant's heroic resistance to black-hearted counter-revolutionaries and German insurgents – whose chief collaborator, Tkachenko, is the wealthy father of the girl Semyon wants to marry.

With three hours of music divided into five acts, it is a large canvas. Its principal weakness is its broken-backed structure: everything is put into the shade by Act 3, a deeply exhilarating crescendo describing the betrayal of Semyon and the nervous collapse this induces in his fiancée.

There is nothing formulaic about this score, least of all its use of accordion and sleigh bells, its suspense-laden string ostinatos, its brutish German caricatures and polyphonic chorales

The Petersburg audience was stamping and cheering for a good 10 minutes after this act, such was its overwhelming impact, and it's hard to see how the rest could be anything but an anti-climax. The ending might have been stronger if the hero had died (as in Glinka's opera), instead of surviving to witness the triumph of Bolshevism; but any notion of tinkering with the libretto to make it more "acceptable" – an idea aired by Gergiev after the performance – should be resisted.

A semi-abstract staging could mask the gaucheness of the text. After all, Semyon was defending the people against their reactionary overlords, an allegory for the most turbulent periods of Russian history. The only case for disregarding what Prokofiev wrote lies in the choice of tempo: something more fluid than the prevailing moderato might lift the outer acts.

Much of the melodic/harmonic material of *Semyon Kotko* – notably the generous orchestral theme characterising the hero – comes from the same creative well as *Romeo and Juliet*, completed a year earlier. More surprising are the echoes of Ukrainian folksong and Rimskyan comedy. There is nothing formulaic about this score, least of all its use of accordion and sleigh bells, its suspense-laden string ostinatos, its brutish German caricatures and polyphonic chorales.

The 40-minute central act is a law unto itself: it has an epic, demonic quality which, whether Prokofiev intended it or not, characterises Stalinist terror as vividly as Shostakovich's most double-edged scores. Did Prokofiev write anything more compelling than the six-note theme which acts as a motor for the whole act? Surrounded by a cackling trio of gossips, Semyon's fiancée, Sofia, sings a long, lament-like arioso, and when the theme is taken up repetitively by the chorus, she decorates it in a frenzy of psychological disintegration. It's impossible to describe the impact.

The parts simply leapt off the page. And it's only when you encounter an opera with such a large cast that you grasp the depth of the company's resources. Well-established singers like Mikhail Kit and Alexander Morosov sang small parts. Viktor Lutsiuk, St Petersburg's Parsifal, was the radiant Semyon, Tatiana Pavlovskaya a Sofia of touching innocence and searing intensity.

Just as impressive were Feodor Kuznetsov's vividly acted Tkachenko and Evgeny Akimov's Mikola, the naive young tenor who enjoys the opera's most lyrical music. Chorus and orchestra sounded formidably well-rehearsed, and Gergiev brought the colours and edges of Prokofiev's vast palette into focus. *Semyon Kotko* is an extraordinary story, and it deserves to be retold.

Prokofiev's champion: Valery Gergiev takes the lead

Triumph over misery and complacency

BALLET

CLEMENT CRISP

Royal Ballet/La Bayadère
Coliseum, London

Had it not been for the presence of Irek Mukhamedov as the Indian warrior hero, Solor, the Royal Ballet's account of *La Bayadère*, which opened the company's summer season at the Coliseum, would have been a miserable thing. The staging by Natalya Makarova is boldly conceived, everywhere intelligent in revising a treasure of the Petipa repertory, and vastly challenging.

Mukhamedov, by temperament and training, understands what the piece is about, what its conventions imply, how its emotions may be exposed. By dramatic power as compelling as the physical force of his dancing, he fleshes out a role which is, in its caddish indecisions, as shifting in its emotional ground as that of Albrecht in *Giselle* (of which he is the finest interpreter I have seen). He understands how we may be made to know Solor's crisis – loving a temple dancer and having sworn over a holy fire to be true to her, he must bow to social pressure and wed a Rajah's daughter. The progress of the ballet is, as Russians know, a matter of crime and punishment, and Makarova, wisely, restored the long-abandoned last act which rounds out the tale by crushing the wicked amid the ruins of a temple, and uniting Solor and his beloved Nikiya in eternity.

So Mukhamedov plays every moment with utter sincerity, never relying upon the stock or predictable emotion, weighting the least gesture so it resonates over the stage and fills out every pose. He defines both feeling and the central fact of the character in this way, and we retain images of noble pride or agonised remorse: summoning a servant, the heroic phrase shaped by his arm reaches to the furthest reaches of the theatre; haunted by the shade of his beloved, the arcs described by his dancing are massive in outline as in muscular pulse. Of course, the piece is conventional. Mukhamedov renews each and every predictable attitude, and Solor lives.

He was, indeed, the only participant in this otherwise under-powered performance who showed that *La Bayadère* is a fascinating work of art rather than a stall displaying shoddy Indian bric-a-brac. Viviana Durante's view of Nikiya, is thin in tone, uncommunicative. Deborah Bull's view of Gamzatti, the Rajah's daughter, is coarsely done, and offers complacency rather than passion. Neither performer made anything of the great emotional scene when they fight – and fight they do, with every emotional weapon to hand *and* a dagger – for Solor's love.

Mukhamedov renews each and every predictable attitude, and Solor lives

The grand display of classical bravura which ends Makarova's first act – Petipa pulling out all the stops – was frightfully dainty, fearfully nice, and looked as if it had been left out in the rain all night. The six male dancers involved flapped and bamboozled their way through dances which demand exact and brilliant technique. The cascade of Shades in the night scene were well-drilled, and rescued the Royal Ballet's name from dishonour. The conductor Valerii Ovsianikov, from the Kirov Theatre, made much of the score.

Continues in repertory.

Challenging: Deborah Bull and Irek Mukhamedov in 'La Bayadère'

Tamara

POP EAGLE-EYE CHERRY

On the sunny side of the bleak songs

Faces have been growing ever longer in pop music lately. While record companies fret about falling sales, the likes of Massive Attack, Radiohead and Pulp have been refining an increasingly dark and troubled sound. The trend is best exemplified by The Verve's Richard Ashcroft: the bruised romanticism of his lyrics is in stark contrast to the swaggering chirpiness of previous Britpop standards.

Desireless, the debut album of Eagle-Eye Cherry, a native of Sweden who spent his formative years in New York, chimes well with that mood.

A cursory glance at the song titles provides warning enough of the gloominess in store: "Permanent Tears", "Worried Eyes", "Shooting Up In Vain" and "Comatose (In The Arms Of Slumber)" are among tracks that promise a journey along the bleaker side of the emotional spectrum.

It is an impression given more credence by the lyrics themselves: even when turning his attention to affairs of the heart on "Falling in Love Again", Cherry opens with the morose observation: "I'm so tired of falling in love/ Finding it easier to fall out/ Can't deny it".

But however glum the lyrics, Cherry's music insistently takes the saccharine side of the bittersweet symphonies practised by the pop miserabilists. *Desireless* is composed of an unassuming, folk-tinged acoustic pop that revels in melodic choruses and smooth vocals. It will not rock the boat; however much lyrical undercurrents may tug, it remains cheerfully buoyant on a mainstream musical sound.

There is nothing wrong with the formulaic when the formula works well – and *Desireless* does contain instances when Cherry's aims achieve fruition. "Worried Eyes", a duet with his sister Titiyo, strolls along a laidback drum beat, overlaid delightfully by strings and slide guitar; "Comatose (In The Arms Of Slumber)" beguiles with its mixture of hammond organ and acoustic guitar; the title track, written by his father, jazz trumpeter Don Cherry, handsomely affiliates the latter's experimentalism with Eagle-Eye's more typical melodiousness.

Generally, though, *Desireless* suffers from an excess of familiarity. Songs rework the same gentle harmonies, while choruses swell at identical tempos: the music settles for a predictability that struggles to engage the attention at any meaningful level. These songs will doubtless be heard in shops and *cafés, but this is an* appeal that shirks the downbeat challenges posed by Cherry's lyrics.

These innocuous tunes, then, cannot bear the freight of their weighty subject matter. Drug addiction, mortality and thwarted love are among Eagle-Eye Cherry's concerns: but the incongruously pedestrian pop at best *negates them, and at worst* reduces them to banalities. Though not of the genre, *Desireless* ultimately makes easy listening of uncomfortable themes.

Ludovic Hunter-Tilney

INTERNATIONAL

Arts Guide

AMSTERDAM

EXHIBITIONS
Rijksmuseum
Tel: 31-20-673 2121
Drawings from the Golden Age: special display of 100 17th century Dutch drawings. Highlights include the first landscapes by artists such as Visscher, Van der Velde and Van Gogen; to Jul 12

Stedelijk Museum
Tel: 31-20-5732911
www.stedelijk.nl
Katharina Sieverding Retrospective 1967-1997: major display of photographic works by the German artist; to Jul 12

BRUSSELS

DANCE
La Monnaie
Tel: 32-2-229 1211
Ballet Frankfurt: in works by choreographer William Forsythe; Jul 10, 11, 12

BUDAPEST

EXHIBITIONS
Hungarian National Gallery, Buda Castle
Tel: 36-1-375 7533
Jozsef Rippl-Ronai: retrospective of the Hungarian post-Impressionist, comprising 250 works. Includes decorative art objects and personal photographs and letters as well as paintings loaned by private collectors and museums; then transferring to Saint-Germain-en-Laye near Paris; to Sep 6

Museum of Applied Arts
Tel: 36-1-217 5222
Zsolnay: Art Nouveau Ceramics. Display of 200 objects made between 1897 and 1918 at the family-owned Zsolnay factory in Pécs. Includes goblets, vases and other objects. The museum itself, opened in 1896, is itself decorated with Zsolnay pyrogranite; to Sep 27

EDINBURGH

EXHIBITION
Scottish National Portrait Gallery
Tel: 44-131-624 6200
The Winter Queen: The Life of Elizabeth of Bohemia. Includes around 50 paintings, plus a selection of engravings and medals; from Jul 10 to Oct 4

GLIMMERGLASS

OPERA
Alice Busch Opera Theater, Cooperstown
Tel: 1-607-547 2255
● Falstaff: by Verdi. New production directed by Leon Major with sets and costumes by John Conklin. Conducted by George Manahan. Cast includes Kevin Glavin, Stephen Powell and Amy Burton; Jul 11
● Tosca: by Puccini. New staging by the team responsible for last year's Madama Butterfly: director Marc Lamos, set designer Michael Yeargan, costume designer Constance Hoffman, lighting designer Robert Wierzel and conductor Stewart Robertson; Jul 12

GLYNDEBOURNE

OPERA
Glyndebourne Festival Opera
Tel: 44-1273-815 000
● Rodelinda: by Handel. New production directed by Jean-Marie Villégier, with sets by Nicolas de Lajartre and Pascale Cazales. With the Orchestra of the Age of Enlightenment conducted by William Christie; Jul 12, 14
● Simon Boccanegra: by Verdi. New production conducted by Mark Elder in a staging by Peter Hall. With the London Philharmonic Orchestra. The title role is sung by Elena Prokina; Jul 11

GRAZ

DANCE
Opernhaus
Tel: 43-316-80080
Kirov Ballet in a three-week season. *Performances include a* Fokine evening (Jul 10), La Bayadère (Jul 11), The Sleeping Beauty (Jul 12, 13) and Swan Lake (Jul 14) 16

KARLOVY VARY

Karlovy Vary International Film Festival
Tel: 420-17-321 2204
Karlovy Vary International Film Festival: the elegant west Bohemian spa town formerly known as Carlsbad is taken over by the biggest film festival in central Europe on the centenary of the birth of Czech film-making. There will be competitions for films and documentaries, showings of new films from the former Socialist bloc and a retrospective on Czech animation. For accommodation information call 420-17-321 2525-7; to Jul 11

LONDON

CONCERTS
Barbican Hall
Tel: 44-171-638 8891
Carmen: by Bizet. Sir Colin Davis conducts the London Symphony Orchestra in a concert performance, with soloists including Olga Borodina and José Cura; Jul 12, 15

MILAN

OPERA
Teatro alla Scala
Tel: 39-02-88791
www.lascala.milano.it
Lucrezia Borgia: by Donizetti. Conducted by Gianluigi Gelmetti in a staging by Hugo De Ana. Casts *vary; look out for Renée Fleming;* Jul 11, 13, 14, 16

MUNICH

CONCERTS
Philharmonie Gasteig
Tel: 49-89-5481 8181
Munich Philharmonic Orchestra: conducted by Jun Märkl in works by Brahms, Mahler and Schoenberg. With soloist Barbara Hendricks; Jul 13, 14, 15, 16

OTTAWA

EXHIBITION
National Gallery of Canada
Tel: 1-613-990 1985
Picasso: 100 works on loan from the Museum of Modern Art in New York. Spanning his career, the broadly chronological display includes paintings, drawings, prints and sculptures; to Jul 12

SAN FRANCISCO

CONCERTS
Davies Symphony Hall
Tel: 1-415-864 6000
www.sfsymphony.org
● San Francisco Symphony and Chorus: conducted by Nicholas McGegan in Beethoven's Ninth Symphony and Piano Concerto No. 2, with piano soloist Anton Nel; Jul 10
● San Francisco Symphony Orchestra: conducted by Gerard Schwarz in a programme of French works including Sarasate's Carmen Fantasy and Chabrier's España. With violin soloist Elmar Oliveira; Jul 16

SANTA FE

OPERA
Santa Fe Opera
Tel: 1-505-986 5900
www.santafeopera.org
● Madama Butterfly: by Puccini. John Crosby conducts a production directed by John Copley; Jul 10
● The Magic Flute: by Mozart. New production by Jonathan Miller, with sets by Roni Toren and costumes by Judy Levin. Cast includes Sheri Greenawald; Jul 11, 15

SCHLESWIG-HOLSTEIN

CONCERTS
Schleswig-Holstein Music Festival
Tel: 49-431-567 080
NDR-Sinfonieorchester: conducted by Günter Wand in Bruckner's Symphony No. 5; Lübeck, Musik- und Kongreshalle; Jul 10, 11

STUTTGART

OPERA
Staatsoper Stuttgart
Tel: 49-711-202090
● Alcina: by Handel. New production by Jossi Wieler and Sergio Morabito, conducted by Alan Hacker, with designs by Anna Viebrock; Jul 10
● Tosca: by Puccini. New production by Willy Decker, conducted by Lothar Zagrosek with designs by Wolfgang Gussmann; Jul 14

THE HAGUE

EXHIBITIONS
Lange Voorhout
Tel: 31-70-364 5784
The Hague Sculpture 98: outdoor exhibition of more than 50 works by sculptors including Rodin, Maillol, Calder, Moore, Bourgeois and Tinguely. A modern sculpture show at Het Paleis Museum is showing at the same time; to Jul 14

VERONA

OPERA
Arena di Verona
Tel: 39-045-800 5151
Un Ballo in Maschera: by Verdi. New production by Giuliano Montaldo; Jul 11

YOKOHAMA

EXHIBITION
Sogo Museum of Art
Tel: 81-45-465 2361
Aubrey Beardsley: more than 200 drawings, prints, posters and books; to Jul 20

TV AND RADIO

● WORLD SERVICE
BBC World Service radio for Europe can be received in western Europe on medium wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV

● CNN International
Monday to Friday, GMT:
06.30: *Moneyline with Lou Dobbs*
13.30: *Business Asia*
19.30: *World Business Today*
22.00: *World Business Today Update*

● Business/Market Reports:
05:07; 06:07; 07:07; 08:20; 09:20; 10:20; 11:20; 11:32; 12:20; 13:20; 14:20.

At 08:20 Tanya Beckett of FTTV reports live from LIFFE as the London market opens.

FT

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PHILIP STEPHENS

Court of King Tony

Accusations of influence peddling within the Labour party are hardly a crisis for UK democracy, but Blair must learn from the onslaught

William Hague's Conservatives rouse themselves into red-faced rage. The Speaker of the House of Commons splutters in indignation. New Labour's *Armani-suited* lobbyists, says the latest item on the charge sheet, are extracting extortionate fees for a mere peek into the court of King Tony.

There is worse. The government is contemptuous of the dignity of parliament. Tony Blair is never there. Latterday Cromwells from *the Old Labour left mount* the balustrades to defend 1,000 years of capitalist history. The media fill their ammunition pouches. Sensitive documents have been selectively leaked, the press wails, even as it fights *for favours* on the doorstep of 10 Downing Street.

Thus has Mr Blair's *government, we are told,* trampled on the fragile blooms of British democracy. The Tories may have been a touch sleazy. The odd former cabinet minister may stand accused of perjury, parliamentary questions may have been sold for cash. But Mr Blair, with his huge majority, has turned *populism into tyranny.*

The nation, we read on, is ruled by a charmed circle of courtiers (17, it is said) formed tightly round the leader. Offend any one of them and you are an enemy. As for the proud and ancient *traditions of the Commons,* who cares? Mr Blair makes the rules in Cool Britannia.

Some of you, I suspect, may be a little puzzled as to how this week's story of influence peddling by New Labour lobbyists has become a crisis of democracy. One might see some guilt by association with the boastful *young men who,* having served the party in opposition, now want to turn a buck by opening doors along the corridors of power. But no charges have been laid against ministers.

A certain bibulous carelessness at a cocktail *party is the comically dire* offence of which Roger Liddle, a senior member of *Mr Blair's* policy unit, *stands* accused. As to who leaked confidential copies of the government's defence review, even the recipients confess to being mystified.

And yet if events this week have been overblown, *they* have damaged Mr Blair. The prime minister has denounced his critics for smear *tactics*, but he is taking notice of the force of the onslaught on the probity of his administration. The you-know-us-we-are-honest defence that saw him through earlier scrapes has not worked this time.

And while the voters are supremely uninterested in the minutiae that so obsess *the political classes, some of* the mud will stick. The nation lauds strong leadership. But, as Margaret Thatcher discovered, it must not be seen as over-mighty.

So beneath the clatter of insults hurled and returned, *there are lessons to be* learnt. They are mostly about attitude, about perceptions rather than policy. For a party that has so prospered from its presentational skills, they are important for that.

Some in Mr Blair's administration have yet to learn the manners of governing. *After so long in* the wilderness, politics became nothing so much as the pursuit of power. To be ruthless was to win. Discipline and order counted above good behaviour. In opposition, policy and its *presentation were also nec*essarily indistinguishable.

Government imposes unfamiliar constraints and *demands different talents.* There are rules and codes to be observed. There is proper scrutiny. Power is more diffuse. The Whitehall *machine does not like* decision-making by caucus. Policies, above all, must be delivered *as well as* presented. That sometimes demands consensus, a synonym for weakness in New Labour's dictionary.

We should not generalise here. Many of the dozens of (mostly young) aides brought *into* government by New Labour are among the most serious-minded of their generation. *Too serious, I* sometimes think when I listen to their discourses on Mr Blair's third way. Time will settle their inexperience.

Others among them, though, are still intoxicated by the experience of power. *They* have stormed the citadel. Now they will enjoy the spoils. Politics, in this mindset, *is* about winning. What counts is not the policy but that their master or mistress is judged to have emerged triumphant from the process.

Here is the attitude that fuels the endless stories of *enmity between Mr Blair* and Gordon Brown, his chancellor. Beyond the jostling and jealousies of all politicians at this level, there is nothing in their relationship that preordains its eventual destruction. The closeness is attested to by every independent observer of their almost daily meetings. *This week* the two have sat side by side in Downing Street as Mr Blair has brokered the deals with spending ministers that will deliver the government's target.

This is not the picture that *emerges from the acolytes.* I have given up counting how many times I have been told of the flaws of the one by the friends of the other. And each time one wonders why they have not acted more *decisively to rein in those* who claim to speak for them. The answer, I suppose, is that, while they trust each other, neither trusts the *other's camp followers.*

It is the same addiction to the politics of personality that brings to public notice the intense mutual hostility between Mr Brown and Peter Mandelson. The latter is soon to be promoted by Mr *Blair to the role of* strategist-in-chief. Mr Brown, it is whispered (though the chancellor himself disclaims this), intends even now to block or wreck the plan.

Mr Blair has had some success in *standing above* the fray. His refrain when the question is asked is that the real world of the economy, health, education and welfare will shape the fortunes of his government. Yet, inevitably, he is touched by the factionalism.

It treats government as a private fiefdom to be *scrapped over by New* Labour's barons. It seeks to deny the undeniable link between personal relationships and good decision-making. (Those who would argue otherwise need to look at the chaos that now reigns in the cabinet's welfare reform committee.) Most dangerously, though, it *is taken as proof of hubris.*

For this reason alone Mr Blair should be careful of his majority. One does not have to bow before the puffed-up pomposity of those who now declare themselves tribunes of the people to agree that *closer attention might be* paid to the sensitivities of parliament. No harm comes from generosity.

And yet I cannot escape the feeling that those paddling this week in the murky shallows of British politics have missed its deeper undercurrents. The great irony in all this is that *power is indeed ebbing from* Westminster. Within a few years a trickle will become a flood. But it is not flowing towards Downing Street. Instead constitutional reform, as we see already from the rising fortunes of the nationalists in Scotland, is returning it to the people. King Tony can have no heir.

LETTERS TO THE EDITOR

Sensible legislation for Russian reform systematically rejected

From Professor Padma Desai.

Sir, In his letter of July 8 (*"IMF funding for Russia* would not solve the country's problems"), Professor Peter Reddaway objects to your reporter's apparent characterisation of Venyamin Sokolov, Russia's chief auditor, as an avid opponent of market reforms ("$6bn of Russia's budget misspent", June 9).

As it happens, your reporter has hit the nail on the head. Sokolov is well known for his opposition to "monetarist discipline", proposing instead that *bartering* among Russian factories, in his view a result of working capital shortage, would disappear if more cash were pumped into the economy! A staunch opponent of the Russian government's poli*cies, he has* opposed legislation in the Duma aimed at removing across-the-board housing subsidies (to be *sub*stituted in the proposed law by select income support to the poor), privatising land (which could raise the productivity of Russian agriculture), reforming the pension system (instead endorsing repeated pension hikes which have bankrupted the Pension Fund), and auctioning of government stock in Russia's privatised factories to private groups.

Indeed, a case initiated by Mr Sokolov on behalf of the Accounting Office against officials of the state property committee in March 1996 with respect to the auction procedures of the Siberian mining complex, Norilsk Nickel, *was thrown out* by the Moscow arbitration court. In the fierce ideological battles being waged on the floor of the Duma between the reformers and the left opposition led by the Communists reminiscent of the 1993 confrontation, which led to the bloody dissolution of the Duma in *October 1993, Mr Sokolov is* on the side of the opposition systematically rejecting each sensible piece of legislation.

Surely Professor Reddaway does not think that this crowd can throw up "better leaders" with a "fresh approach"! The approach *necessary right* now is for the Russian government to move away from preponderant reliance on International Monetary Fund and World Bank financing to substantial borrowing from private financiers against government *stock in a series of* companies such as Gazprom (the world's largest natural gas monopoly), Rosneft (the Russian oil company), Svyazinvest (the telecommunication holding concern) and others. This proposal was *made by me in the FT* (Letters, June 18) and has been embraced in substance by Martin Feldstein ("How to save the rouble", July 8).

Padma Desai,
Harriman professor of economics,
Columbia University,
New York, NY 10027, US

A German form not so easy to eliminate

From Mr Michael Ellis.

Sir, Your report from Frankfurt, "Parents drop grammar suit" (July 8), states: "The parents of two school-age children have withdrawn their lawsuit against changes in German grammar just one week before the constitutional court was to rule on it." It *refers several times to* "grammar" reforms or changes, and finishes by talking of the reform "eliminating the 'beta s' which *stands for a double s*".

First, a few changes to spelling and punctuation can hardly be called a grammar reform. Second, those not fortunate enough to possess a German keyboard should not start rejoicing yet. The *alleged elimination of the* beta s seems to be a popular misconception. In fact the beta s will still be with us, though the simplification of *the rules will make its occur*rence less frequent. Of course, the Swiss dispensed with it some time ago, but they are known for their revolutionary attitudes.

Michael Ellis,
Robert-Koch-Strasse 3,
90766 Fuerth, Germany

Objective the same – but means to end differ

From Ms Lizabeth Herzog.

Sir, I strongly object to the *characterisation* by Avi Machlis of supporters of the radio station Arutz Sheva as "anti-peace" ("Netanyahu turns up the volume of Jewish settlers' pirate radio", June 27).

All Israelis want peace *whether they are on the left* or right of the political spectrum. We only differ in the means to achieve it. Those on the right believe that Chamberlain-style appeasement will result not in peace, but rather in destruction.

Lizabeth Herzog,
7 Diskin,
Jerusalem 96440,
Israel

Right fix for RPI target

From Mr Richard Nuttall.

Sir, There have been a number of recent exposés and allegations of cartels and price fixing regarding cars, fashion goods, CDs, computers, white and brown goods. If the UK government successfully tackled these, and the prices on these items fell due a proper amount of competition, it would be interesting to know what the effect on the *retail price index would be. I* suspect that it would help the government and the Bank of England get close to its 2.5 per cent target, and of course it would count well with the electorate who would also benefit from the *reduction in prices.*

Perhaps it should be a requirement on manufacturers to prove that there is competition among its distributors and retailers, rather than others having to unearth evidence of a cartel. One easy test should be to see how much variation in pricing there is between *competing outlets.* No variation means a cartel. Significant variation suggests genuine competition.

Richard Nuttall,
Green End, Stretham,
Ely, Cambs, UK

A real worry

From Mr John Pitts.

Sir, While applauding the move by the London and German stock exchanges to *forge an alliance, and agree*ing with the comments in your leader ("A sensible Exchange", July 8), I have one nagging thought. This seems to indicate that our stockbrokers are wiser than our politicians. Should this worry us?

John Pitts,
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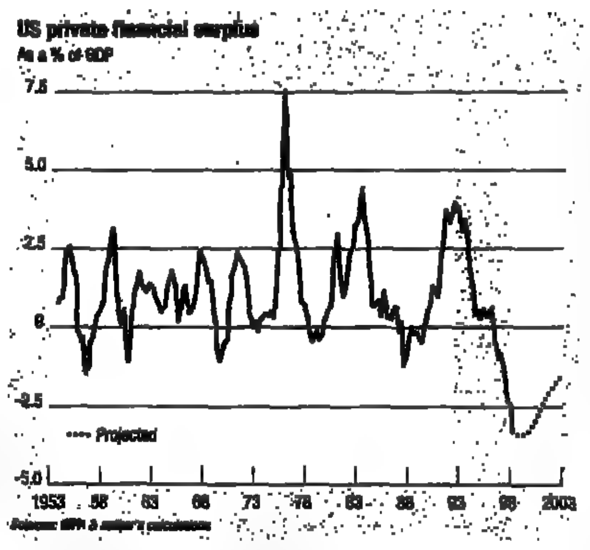
PERSONAL VIEW WYNNE GODLEY

Motor starts to sputter

After six years of rapid growth, the US economy faces – at best – a period of prolonged stagnation

Why has the US economy expanded so fast for six years, even though fiscal policy has been restrictive and net export demand sluggish?

A partial answer is suggested by the chart, which shows the private sector's financial surplus – that is, the excess of income over expenditure in the past 25 years. Since 1953, the average surplus has been 1.1 per cent of gross domestic product, with surpluses of above 3 per cent or deficits below minus 1 per cent extremely rare. Until recently, it has not been negative for more than a year or two at a time.



But the period between the first quarter of 1992 and the first quarter of 1998 (the *shaded area in the chart*) differs in two important respects from the rest of the postwar period.

First, the fall in the surplus has been larger and longer than ever before. This implies that the growth of private expenditure has exceeded that of income by a record amount. Whereas *GDP has risen at an annual* average rate of 3 per cent since the start of 1992 and real private disposable income has risen by 2.6 per cent, the growth of real private expenditure averaged 4.2 per cent.

Second, the private "surplus" became a deficit in 1996. But instead of returning towards balance, this deficit went on growing, reaching a record 3.3 per cent of GDP in the first quarter of 1998.

When there is a deficit (when expenditure exceeds income), net borrowing must be taking place. And sure enough, the flow-of-funds data recently published by the Federal Reserve show that, in the first quarter of 1998, the net addition to the stock of debt owed by the (non-financial) private sector rose to 11 per cent of disposable income. This is the extent to which private income was being supplemented by net borrowing, and it implies that the level of debt was *rising as a proportion of* income.

As the private sector's deficit is now at a level where large injections of finance are needed just to maintain it where it is, it can hardly go on growing much longer. For this deficit to go on growing, *the ratio of debt* to income, which is already rising fast, would have to accelerate out of sight.

This means that the motor which has driven the US economy through one "Goldilocks era" – namely the expansion of private spending financed by loans – cannot possibly drive it through another. It looks more as though it is ready to conk out.

This is made the more likely by the damping effect of the Asian crisis on the US economy. The full impact will take a long time to work through fully, but it has already been substantial. In the first quarter of 1998, exports minus imports were down $70bn (at 1992 prices) on the average for 1997, a fall equal to 1 per cent of GDP. And there has been a further large fall in net exports since then. In addition, the recent tendency for export prices to fall has been accentuated by the strong dollar, and this must have reduced profit margins.

The crisis itself seems to *be deepening, with output in* Asia falling far more than was generally expected a few months ago and an increasing number of countries becoming involved. The average American has not noticed much yet because the credit expansion, reinforced by the boom in asset prices, has carried so much momentum. Also, real income has benefited from *the fall* in import prices that were 4.5 per cent lower in the first quarter than they were, on average, during 1997.

The average growth rate of the economy over the next four years is unlikely to exceed 1 per cent a year *and could easily be much less*

So what might be the upshot? I have carried out a number of simulations representing various possible responses to the Asian crisis. The *first thing* that became obvious is that the full effects of the crisis will depend crucially on what happens to policy round the world.

This is particularly true of Japan, since its trade with the region and investment in it are so much larger than elsewhere. In one outcome, the US could easily see its GDP fall next year by 2 per cent or more compared with what otherwise might happen.

I have put all these ideas together into a medium-term projection of the *US* economy. One key assumption is that the private sector's financial deficit stops rising fairly soon and returns towards zero over a period of years (shown in a dotted line on the chart). If this were to happen in a way anything like that projected in the chart, total private expenditure would drop ¾ per cent a year relative to income over the next few years – a big change compared with the recent past.

A second assumption is that, partly because of the strong dollar, net export demand continues to fall for a couple of years before recovering moderately. I also assume the US economy receives no new fiscal stimulus.

Credit booms often continue, feeding on themselves for much longer than anyone expects. The US boom may roar ahead for some time, although signs of weakness have recently appeared in the tradeable sectors.

However, the main issue is what happens in the medium term. The implication of the assumptions I have made is that over the next four years the US economy is unlikely *to grow by more than 1 per* cent a year on average and it could easily be much less. Such a slow growth rate would not be enough to stop unemployment *from rising* and the federal budget from moving back into deficit at some point.

What, then, is the conclusion? First, given present policies, that a period of prolonged stagnation, at best, is on the medium-term horizon. Second, the possibility of an intractable global recession is now to be taken seriously, and the rest of the world would be most unwise to count on the US to provide the locomotive force needed to pull it out.

The author is visiting scholar at the Jerome Levy Economics Institute

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FINANCIAL TIMES

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Friday July 10 1998

ECB cracks its whip

The first meeting of the European Central Bank in Frankfurt was an historic event. The second, this week, was routine. But the decisions taken and statements made were revealing. They show how far the institution wants to be the Bundesbank writ large. The question is whether such continuity will work on a wider European stage.

One indication was the decision to impose reserve requirements on commercial banks of between 1.5 per cent and 2.5 per cent. Rolf Breuer, chairman of Deutsche Bank, Germany's largest commercial bank, denounced this requirement as "outmoded". Yet the ECB will pay interest at the same rate as on its main refinancing operations, which means this will be no onerous obligation. Whether it makes much sense is another matter.

Much the biggest questions confronting the ECB concern the European economy, the balance between monetary and fiscal policy and its influence upon member governments. On the first of these, the ECB *inherits a comfortable position*. In April the annual increase in the harmonised consumer price index was an entirely satisfactory 1.4 per cent: the European economy is expanding strongly; and unemployment is falling.

Looking ahead, the ECB can hardly find much reason for monetary tightening. Growth of broad money looks benign. The presence of the Bundesbank's former chief economist, Otmar Issing, means great weight will be placed on this measure. Whether this makes sense at a time of vast structural upheaval is another matter.

Much the most interesting indication of the future role of the ECB came from the prominent place given by Mr Duisenberg *to complaints about the* fiscal policies of member states. He expressed anxiety that member states were not reducing structural fiscal deficits, though they were not yet in compliance with the stability and growth pact.

The aim, insisted the president, should be a budget close to balance or in surplus. Yet the latest forecasts from the European Commission show cyclically adjusted fiscal deficits for the 11 members, collectively, and for 8 of them, individually, at around 2 per cent in 1999. Worse, only Ireland and Finland are forecast to register significant improvements in these deficits between 1997 and 1999.

The ECB is right to worry that the opportunity afforded by the cyclical upswing will be wasted, as it was in the late 1980s. It is right to fear that member states feel they can now relax. Yet it would also be a mistake to ignore the global *context. Now is not the right* time for the EU to pursue fiscal contraction and monetary ease, thereby exporting unemployment to the rest of the world.

If the ECB is the Bundesbank writ large, it faces two problems more severely than the institution it replaces. It has to influence 11 fiscal authorities, not just one; and its decisions directly affect an economy with a vast impact on the world. How Europe resolves these difficulties will determine how well its revolutionary new monetary system works.

Rock relief

Gibraltar appeared yesterday to have made an important concession to Spain, by offering shared use of its airport for Spanish flights. A deal on that question could open the way for talks on the whole relationship between Spain and the British colony at its southern tip, and end years of mutual suspicion.

The irony is that Gibraltar appears ready to concede joint use of the airport too late to benefit from it. It vetoed the deal in 1987 because of fears that it would amount to tacit recognition of Spain's claim to the land on which the airport is built. Passengers travelling to Spanish destinations would not be required to go through Gibraltar immigration facilities first. Today, however, Spain has little commercial use for the airport, with ample capacity provided by large airports in Málaga and Seville.

The concession suggests that Gibraltar is feeling the strain of isolation. The lesson is that the colony has no viable future except by co-operating with Spain. With the British navy gone, its economic future depends on financial services and tourism. Spanish obstruction has the capacity to damage both.

But Spain should now respond. It is time for a date to be set for talks with Gibraltar proposed by Abel Matutes, Spain's foreign minister. The offer amounts to a relaxation of Spanish insistence that talks can only be conducted with the UK government.

Madrid must recognise that its only hope of wooing Gibraltar is to win the good will of Gibraltarians. Obstructionism, like petty restrictions and delays imposed at the border, have allowed the latest dispute to drag on for more than a decade.

Japan votes

Japan is in recession. The popularity of prime minister Ryutaro Hashimoto and his cabinet is at a dismally low ebb. It might thus seem natural for the voters in Asia's most advanced democracy to seize the opportunity presented by Sunday's upper house elections to punish the ruling Liberal Democratic Party for its dire economic management.

But while the LDP lacks an outright majority in the upper house, Japan's political modus operandi remains that of a single party democracy. The opposition is fragmented and incoherent. Many ordinary Japanese may be tempted to express their disillusionment by staying at home. This would favour the LDP against its opponents and give Mr Hashimoto a reprieve. But would it make much difference to the economic crisis? And is an effective opposition possible in the consensual Japanese context?

Certainly there is a danger that western expectations will be pitched too high whatever the electoral outcome. For until the past year the function of politicians in Japan was not to mastermind policy. Their chief task was to deal with interest groups and pass on requests for favours to the bureaucracy. Political success was measured in terms of the delivery of money and infrastructure to lobbies and constituents. Prime ministerial office was a reward for party service, not a platform for policy adjustment.

Within this system the party was little more than a coalition of political cliques, or factions, with few identifiable political principles. When Tsutomu Hata led a breakaway group from the LDP in 1993, subsequently loosening the LDP's grip on power, he did so more in the name of clean government than changed policy.

Since then, opposition parties have proliferated and haggled over alignments and coalitions. Last December's disintegration of Shinshinto, the main opposition group led by Mr Hata's mentor Ichiro Ozawa, confirmed the difficulty of establishing a plausible opposition to the LDP.

A smaller group of parties has now emerged under Naoto Kan, which has been compared to Italy's Olive Tree coalition. But the parallel is misleading. In seeking to renew its democracy after the corrupt single party rule of the Christian Democrats, Italy could draw on the political strength of a reinvigorated former communist party. It also had a pool of uncorrupted talent in the universities and the central bank to provide technocratic leaders such as prime minister Romano Prodi.

Japan has found it harder to mobilise such talent. But some change is afoot. Scandals and demoralisation in the bureaucracy have caused politicians to take charge of policy by default. Yet this has led to more incoherence and market uncertainty – witness the impact of conflicting statements made by Mr Hashimoto and other leading politicians last weekend on whether taxes were to be cut.

This has helped the opposition parties and raised hopes for a higher turnout on Sunday. Mr Hashimoto's fate is in the balance. But as the political temperature rises, it should not be forgotten that Japan's form of democracy is peculiarly ill-suited to producing a decisive policy response to match the challenge the country now faces.

The changing of the guards

The EU's plans for data regulation have caused friction between Washington and Brussels. If the directive goes ahead, there is a chance of trade conflict with the US, warns Guy de Jonquières

If you live in the European Union and use electronic mail to communicate with anyone in the US – or most other parts of the world – you had better watch out. Absurd as it seems, you may soon be breaking EU law.

That is one of the unintended consequences of an impending EU law that aims to safeguard the privacy rights of European citizens by setting common rules for the export and use of many kinds of personal data. This is *defined as "any information* relating to an identified or identifiable natural person". Strictly applied, the law would cover every kind of personal information in electronic or written form.

The directive comes into force on October 25. As the deadline approaches, coping with its far-reaching, but often unclear, requirements is creating headaches for companies operating in Europe. It is also threatening a trade conflict with the US.

Much more is at issue than EU red tape. The data protection directive has sharp teeth. As well as providing for fines on offenders, it authorises the severance of information flows to non-EU countries found not to have "adequate" data protection arrangements. If exercised, those powers could play havoc with global trade flows by cutting off companies' international communications networks.

Brussels has not defined "adequacy" precisely, or the criteria *for judging it. But it says it has* so far identified only about 10 countries likely to qualify. They do not include the US, where the government and businesses have been angered by what they see as an EU attempt to foist its laws on them. White House officials say the US may challenge the legislation in the World Trade Organisation. Some members of Congress are talking of passing a "blocking statute", which would prohibit US companies from complying with the EU rules.

Brussels and Washington have launched urgent consultations to avert open confrontation. But while the talks have lowered the political temperature, no settlement is yet in sight.

Ironically, when EU ministers approved the directive in 1995, it was heralded as a trade-liberalising move. It aimed to underpin the single market by reducing discrepancies between national privacy rules, far stricter in northern EU countries than in southern ones. The result was a flawed compromise. It is not even clear that it will remove all national restrictions on data flows inside the EU. Critics condemn the law as overkill.

When it was first drafted in 1990, data communications were primitive and took place mainly between big mainframe computers. The law failed to anticipate the explosion of global communications caused by the spread of personal computers and the internet. Critics say that, because the law technically covers all such traffic, it is unenforceable.

Just how it will be applied is unclear. Many EU members have yet to implement the directive in national legislation, and their data registrars and the European Commission are still trying to agree a common approach.

But some observers say their efforts so far have created as much confusion as clarification. "There are huge grey areas," says Heather Rowe, head of the International Chamber of Commerce's data protection committee. Some estimates put the cost of compliance to EU business as high as \$3bn (£1.8bn). Companies complain that uncertainty about the directive's impact is at least as big a concern. They are particularly worried about its effect on operations that depend on transatlantic data communications.

"We find the possibility of there being no US-EU agreement by October 25 absolutely terrifying," says Colin Fricker, head of legal affairs at the UK Direct Marketing Association. "If the EU insists on applying territorial solutions to cyberspace, it will kill electronic commerce."

Defenders of the law dismiss such complaints as alarmism, and insist the new system will be implemented responsibly. They also claim it is less draconian than sometimes painted.

The rules will be waived for three years for existing data exports from the EU, or if individuals concerned have given their consent. There are also exemptions for exports of personal data needed for contracts between companies and employees, to defend legal claims and to protect citizens' vital interests.

But many businesses say the loopholes are too limited, or impractical. World Insurance Network, a global broking service recently launched by four large US and European insurers, fears it will be required to obtain individual consent from thousands of company employees worldwide.

Lawyers say the directive is also open to divergent legal interpretations – all the more so because it will be administered by 15 independent national data regulators, whose priorities and approach vary widely.

"The system is unwieldy and unworkably bureaucratic," says Christopher Millard of Clifford Chance, a London law firm, who is advising large companies on the implications of the directive. "It is likely to be extremely burdensome for businesses, but of dubious benefit for consumers."

Even if national regulators act pragmatically, they face pressure from privacy rights groups to crack the whip. One, Privacy International, says it will monitor large companies' compliance closely and bring test cases against offenders.

Scott Blackmer, of Wilmer, Cutler and Pickering, a Washington law firm, thinks individuals whose data rights have been abused may even be able to use the EU directive to bring "class action" cases in US courts on behalf of fellow "victims".

Such possibilities increase the pressure on Brussels and Washington to settle their differences quickly. The EU denies that it is bent on confrontation, or demanding that the US copy its own legislation. It says it is ready to accept a system based on voluntary self-regulation, as the US proposes, provided it is effective.

The data protection directive has sharp teeth. If exercised, it could play havoc with global trade flows by cutting off companies' international communications networks

The US long remained unmoved by such arguments, insisting its existing data protection arrangements are adequate. But the mood is changing in the US. A sea change in its political climate has transformed the terms of the debate and forced the US to re-evaluate its approach to data protection.

A recent US Federal Trade Commission report found that many web-site operators had failed to respect the privacy of users, particularly children, in the collection and use of personal data. It said industry self-regulation had "fallen far short of what is needed".

Newspaper articles have highlighted other shortcomings, while several opinion polls have found that widespread consumer mistrust in the security of internet transactions is threatening the growth of electronic commerce.

President Bill Clinton's administration has told business it must quickly restore public confidence, or risk heavy-handed and costly legislative intervention by Congress. Many large companies are scrambling to form industry alliances, to strengthen self-regulation and promote better web-site security.

Some companies accept that better data protection is good business. "In nine months' time, companies which do not have explicit privacy programmes and effective verification by third parties will have a hard time in the market," says Bill Archey, head of the American Electronics Association.

These events may have punctured US complacency and enhanced the EU's sense of moral superiority but they do not seem to have brought any closer practical solutions to the problems threatened by the EU directive.

Many US industry privacy alliances say it will take time to develop stronger data protection. Their members are divided over how to police and enforce voluntary self-regulation. The Union is expected to look very closely at such issues when assessing whether self-regulation satisfies its directive.

Nor would US legislation necessarily make a transatlantic settlement easier. There are about 90 data privacy bills in Congress, mainly intended to protect children and medical records. But Congress is not expected to act before next year, and there is no guarantee that any of the measures it passes will satisfy the EU.

There is also uncertainty about how any new US laws would be administered. Widespread distaste for cumbersome regulatory bureaucracies has engendered opposition to creating a powerful US data "czar", comparable with EU data registrars.

Senior US and EU officials insist, nonetheless, that they can broker a mutually acceptable compromise, probably involving a variety of measures. Possible components include a system of voluntary "model contracts" between companies, policing by the Federal Trade Commission and some US legislation.

But EU and US officials say they are still unsure exactly what an eventual package will contain. Less than four months before the directive is due to take effect, both sides must also contend with powerful political pressures at home, which could easily turn their dialogue in to brinkmanship.

Partly to keep pressure on the US, European Commission officials are refusing to rule out the possibility that some transatlantic data flows could be cut off after October 25. Some observers fear the EU may find such action hard to avoid.

"The Europeans are in a delicate position," says one. "They may feel they have to bring some exemplary cases early on, or US business will just ignore the directive. But if they start seriously disrupting transatlantic data flows, they risk provoking a US reaction that could unleash a trade war."

OBSERVER

Hermann hits the heights

After years of watching the Bundesbank's every move like a hawk, Hermann Remsperger is about to take up residence inside its forbidding grey walls. The respected chief economist of Germany's BHF-Bank is set to succeed Otmar Issing, the former Bundesbank director who has just moved into the euro-dimension as a director of the new European Central Bank.

In the age of the single currency, the Bundesbank won't be the towering force of recent years. But it will retain a powerful voice in the counsels of the ECB, which also happens to be in Frankfurt.

The friendly, soft-spoken Remsperger, 48, has developed an intimate understanding of the German central bank's often impenetrable thought processes in his time as a Bundesbank-watcher. Like the influential Issing, he believes strongly in monetary discipline and has acquired sensitive antennae about the timing of interest rate moves.

Although the atmosphere at the Bundesbank is unlikely to be calm if the euro's resilience is put to the test by volatile financial markets, he may relish the change of scene. BHF-Bank, where he has worked for nearly 20 years, has been going through an unsettling reorganisation recently.

This has not affected Remsperger's own position, but the move from the cut-and-thrust of the commercial banking world may suit someone who is an honorary professor at Frankfurt's Goethe University. An extra touch of *gravitas* does not go amiss in the sober world of central banking.

Jaundiced

The annual congress of Golkar, the party which has run Indonesia for three decades, was decked in its usual yellow yesterday. The bright, jolly colour has seemed appropriate during the years when party faithful could count on comfortable government jobs and juicy government contracts in return for rubber-stamping the policies of President Suharto.

But yesterday the yellow of the jackets, batik shirts, ties and flags only seemed to emphasise the venom, as members schemed, rowed, plotted, caballed and backstabbed over who would be in the new leadership to take the place of Suharto's cronies.

Edi Sudrajat, a former top brass hat who is favourite for the chairmanship, was, it was whispered, plotting the downfall of President B.J. Habibie. Others claimed that his main rival, state secretary Akbar Tanjung, was a stooge of Habibie, while some saw both men as marionettes, with Suharto pulling the strings.

Golkar has a large slush fund and an unrivalled organisation, but its association with Suharto won't be worth too many votes in the upcoming elections. Maybe it was his poll prospects that persuaded Habibie to eschew the party yellow yesterday for an outfit of mournful black.

Palm court

Israel's allies in United Nations votes on their policy towards the Palestinians may be few in number, but they do live in some attractive parts of the world.

There's a long history of Micronesia standing foursquare with the US and Israel in UN votes – so much so that Israel's Channel Two television sent a crew last year to make a three-part series on *The Mystery of Israel-Micronesia Friendship*, and travel agents offer trips to Israel's "best friend across the ocean".

This week the might of the Marshall Islands was thrown behind the usual trio on the losing side of the 124-4 vote to upgrade the Palestine Liberation Organisation's status, sending the warring factions in the Middle East scurrying for the central Pacific Ocean pages of their atlases.

Micronesia and the Marshall Islands were administered by the US until 1986, and holidaymaking Israelis will find that the idyllic islands have one thing in common with the Jewish state – Uncle Sam dishes out masses of aid every year to keep them afloat.

Typecast Tina

Tina Brown, the English-speaking world's most conspicuous magazine editor, may have joined the Walt Disney camp, but she won't be straying far from her first love.

The Briton who has spent six years yanking the fusty New Yorker into the modern era says she plans to become a multi-media star. That means movies and television as well as the printed word, courtesy of a deal with Miramax, the studio that makes "independent" movies for Disney.

Her biggest splash, however, is likely to remain in the magazine world, with a new monthly high-class glossy scheduled for late next year. Its target audience will be the same "upscale intelligentsia" as the New Yorker, says Ron Galotti, who has just quit as publisher of Vogue to join Brown. The betting in New York is that it will bear a close resemblance to Vanity Fair, which Brown also edited.

Miramax co-chairman Harvey Weinstein says the aim is to use the printed word to create "limitless synergies" among the media outlets. For instance, if Brown goes to the Middle East for a magazine article, a television crew might follow her to film a "special" for Disney's ABC network.

The Miramax boss adds that it is "way too premature" to discuss how much money will be put behind Brown's new venture – though, like so many media executives, he hopes to produce "a Rolls-Royce for the price of a Volkswagen".

The Financial Times 50 years ago

S. African Senate Dissolved
Cape Town, July 9. The South African Nationalist Government to-day proclaimed the dissolution of the Senate. The announcement thus comes shortly before the expiry of the period allowed for this – that is, within 120 days of the dissolution of the Assembly on April 16. Normally the Senate was not due to be dissolved until next year. At present the United Party has a majority in the Senate and could in consequence have blocked any Nationalist legislation. The state of the Senate was: Pro-Government, 13; *anti-Government, 30, the latter* including eight nominated by the last Government.

Fighting Near Kuala Lumpur
Singapore, July 9. Fighting against Malayan guerrillas raged to-day near Kuala Lumpur, the federal capital, and General C.H. Boucher, G.O.C. Malaya, said: "We are dealing with it on battle lines." Police inside the city are fully alerted against possible attack. General Boucher has stated he did not believe the guerrillas could get reinforcements from Indonesia, but he was worried by the possibility of parachutists coming in to Malaya from neighbouring Siam.

FINANCIAL TIMES

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THE LEX COLUMN

Battle of the bourses

France may be in the final of the World Cup, but its bourse is in danger of being kicked into Europe's second division. This *week's link-up between Frankfurt's* Deutsche Börse and the London Stock Exchange puts the squeeze on Paris. Seemingly, it either joins the new alliance as a junior partner or risks seeing its top stocks poached by the Anglo-German partnership. Not surprisingly, the French – who thought they were going to form their own axis with Frankfurt – feel cheated.

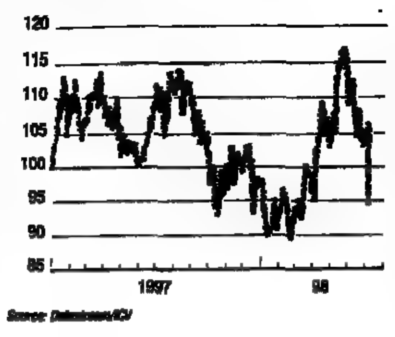
This game, though, is far from over. Paris may not have that much to offer as a financial centre, but the French have always known how to play political hardball. Who knows, President Jacques Chirac may already have been on the phone to Chancellor Helmut Kohl to insist that Paris is cut into the new alliance as an equal partner. After all, he could say, the French agreed to Frankfurt as the home to the new European Central Bank and did not even get their man, Jean-Claude Trichet, as its first president.

In such a hypothetical conversation, Mr Kohl might respond that ownership of a Eurobourse was a purely private sector matter. But, equally, he might try to arrange a deal in the interest of the broader Franco-German alliance.

Alternatively, Paris might hope that the Anglo-German partnership – which is not yet a done deal – will show cracks, allowing it to woo Frankfurt anew. And, if that too came to naught, France could always threaten to stop its top stocks joining the new trading platform. That might amount to cutting off its nose to spite its face – French blue-chips would then not get as good access to a liquid capital market. However, it would also throw a medium-sized spanner into the Anglo-German works; 44 of Europe's top 300 companies are French.

The risk for London is that it will be outmanoeuvred in the europolitics. The exchange has already agreed on an equal split with Frankfurt, despite hosting 107 of Europe's top 300 stocks compared with Germany's 37. If more bourses were added as equal partners, its interest would shrink yet further. Managing a multi-headed alliance might also be a night*mare. London may yet come to regret the* fact that it lacked the vision to go it alone.

DuPont
Share price relative to the S&P Composite



DuPont

Yesterday's profits warning from DuPont cited an impressive list of culprits: the weather, weak prices, the dollar, Asian imports, even the General Motors strike – pretty much anything except itself. There is a good reason why DuPont is so blatantly on the defensive. Over the past few months, Chad Holliday, its new chief executive, has made much of the group's impending transformation from cyclical, old chemicals to sexy life sci*ences. It would not do for shareholders to* think that while reshuffling the portfolio, management had taken its eye off the business.

In fact, investors are as much to blame as the company for the near-10 per cent drop in the shares. In their enthusiasm for DuPont's new strategy they had driven the stock up by nearly 50 per cent since January. However, DuPont is only at the start of its metamorphosis into a steady, fast-growing business that deserves a higher rating. The parallels with Hoechst are almost scary. The German chemicals group was lauded for its life sciences strategy in 1996, only to be condemned for slow execution and poor results in 1997.

If this shock accelerates change at DuPont, it will ultimately be to the good. Mr Holliday promised faster cost-cutting yesterday and hinted at more disposals or joint ventures in commodity chemicals. *He should now take comfort from the fact* that Hoechst shares are having a great 1998.

Japanese life insurers

As if Japanese bank stocks were not under enough pressure, news now comes that life insurers, who owned 14 per cent of bank shares in 1996, have turned sellers. Nor is that the full extent of the problem. Life insurers have also been refusing to roll over subordinated loans made to banks, which form an important part of bank capital.

But what of the life insurers themselves? Their unlisted status keeps their affairs largely private. However, distress selling of shares to address negative cash flow problems is hardly encouraging. Moreover, if banks start to fail, some of those subordinated loans will certainly not be repaid.

The insurers appear to face both solvency and liquidity challenges. The threat to solvency comes from the combination of significant obligations to policy holders, falling returns on investment, and depleted equity reserves. But high cancellation levels also pose liquidity problems, hence the pressure to sell shares. Policy holders have been dissatisfied with the low investment returns, and worried by credit risks following the failure last year of Nissan Mutual.

Inasmuch as this flight to quality *encourages an industry shake-out, it is* good news. Japan's insurers have been a by-word for unsophisticated products and lack of competition. Whether the country has the stomach for simultaneous turmoil in the banking and insurance sectors is another matter.

UK monetary policy

No rise in interest rates – cause for celebration? Well, not quite. For a start, the final twist to the monetary screw has probably been delayed, not abandoned. The futures markets are certainly betting on another quarter-point rise by September. Moreover, it is clear that the economy needs to slow if inflation is to drop to the government's target. That may be happening of its own accord – meaning a further hike could risk recession. But, if not, the Bank of England could easily get further behind the curve. The worry is *that it could then have to tighten still* more just when the global economy could be cooling.

Albright urges renewal of US-China trading links

By Stephen Fidler in Washington

Asia's currency markets could be destabilised if China is denied the right to continue normal trading with the US, senior officials in President Bill Clinton's administration warned yesterday.

In her first testimony before Congress after returning from China last week, *Madeleine Albright, secretary* of state, urged members of the Senate finance committee not to overturn Mr Clinton's proposal to renew what is called "most favoured nation" status for China. She said revoking it would hurt US consumers, invite retaliation from China and put US jobs and incomes at risk.

"MFN revocation could come back to haunt us even more substantially by destabilising currency markets in the Asia Pacific," she told the Senate finance committee.

It would also "set back China's own daunting programme of market reforms and thus make it harder for China to maintain its contribution to Asian stability". Restricting Chinese exports to the US "might well cause China to devalue, with potentially dire consequences for its neighbours, for China's own stability and for markets worldwide, including our own", she said.

"One certain victim" would be Hong Kong, which handles 50 per cent of US-China trade. She cited estimates from the Hong Kong authorities, which suggest that losing MFN would reduce Hong Kong's trade by $34bn and its income by *$4.5bn.*

Mr Clinton said last month he would renew MFN status for China for a further year, leaving Congress 90 days to overturn this proposal. This is seen as highly unlikely, par*ticularly following the president's* trip to China, which ended last week and was widely seen as a success.

After Mrs Albright spoke to the committee, the senate voted by 96 votes to two to abolish the term "most favoured nation" – which one senator described as "17th century French usage" – and replace it with a reference to "normal trading relations".

Both Mrs Albright and Charlene Barshefsky, the US Trade representative, emphasised that more work was being done to narrow the significant US trade deficit with China.

In response to a question about whether China was stalling negotiations over joining the World Trade Organisation, Ms Barshefsky said four factors had entered into play over the last year that had contributed to a slowing of China's movement into the WTO.

China was, she said, an economy in transition, which meant that gov*ernment officials were sometimes* unsure what their own rules were. Second, the Asian crisis "has made China and other countries in the region re-think issues of market open-ness".

Third, China's "massive programme of internal reform" required the rationalisation of state-owned enterprises creating the potential for lay-offs of hundreds of millions of people. The belief that entering the WTO would make that process more difficult was also slowing progress in negotiations.

The fourth factor was the shrinking of the Chinese bureaucracy. "If you're a Chinese bureaucrat and you think your job's at risk, do you say yes to the West or do you say no. The answer should be fairly obvious," she said.

Tougher measures called for to protect earth's ozone layer

By Frances Williams in Geneva

Tougher action is needed to protect the earth's ozone layer, including rapid implementation of new controls to tackle the growing illegal trade in banned substances, environment officials said yesterday.

The meeting of officials from nearly 100 countries also called for better co-operation with United Nations bodies working on climate change. The meeting paves the way *for a ministerial conference in Cairo* in November, which will bring together parties to the Montreal protocol on the ozone layer.

Certain "ozone-safe" substitutes, developed to replace chlorofluorocarbons (CFCs), and other "ozone-gobblers" are now recognised to contribute to global warming, which scientists predict will slow the healing process of the ozone layer.

According to the latest scientific assessment published last month, the ozone shield will be at its thinnest by 2000 or 2001 before slowly recovering over the next 50 years. Stratospheric ozone protects life on earth from the damaging effects of ultra-violet light, which can cause skin cancers and cataracts.

The "ozone-safe" substitutes, known as HFCs and PFCs, are targeted in the Kyoto Protocol on climate change, adopted last December, which requires governments to cut emissions of greenhouse gases.

This has produced the paradoxical result that countries are being urged to use *HFCs and PFCs* under the 1987 Montreal protocol and discouraged to use them under the Kyoto pact. The officials, meeting in Geneva, did not attempt to solve this contradiction, but asked the scientific experts for the Montreal protocol to co-operate with their climate change counterparts.

The issue will become more important from next year when developing countries must start the process of phasing out production of CFCs and other ozone-depleting substances by 2010. Most industrialised countries have already phased out such substances.

China, India and Russia are the world's biggest producers of CFCs, which are used in refrigeration and air-conditioning systems.

The meeting also looked at how to bring into operation by 2000 an international trade registration system aimed at cracking down on a thriving black market in CFC gases, worth hundreds of millions of dollars annually. Officials fear that *smuggling of cheap CFCs* will become a more serious problem, once consumers in developing countries face controls on their use and a requirement to use often more expensive substitutes.

National governments are also being urged to take action to reduce emissions of halons, which are used mostly in fire extinguishers, and stop two new substances – chlorobromomethane and n-propyl bromide – from being marketed as "ozone-safe" substitutes.

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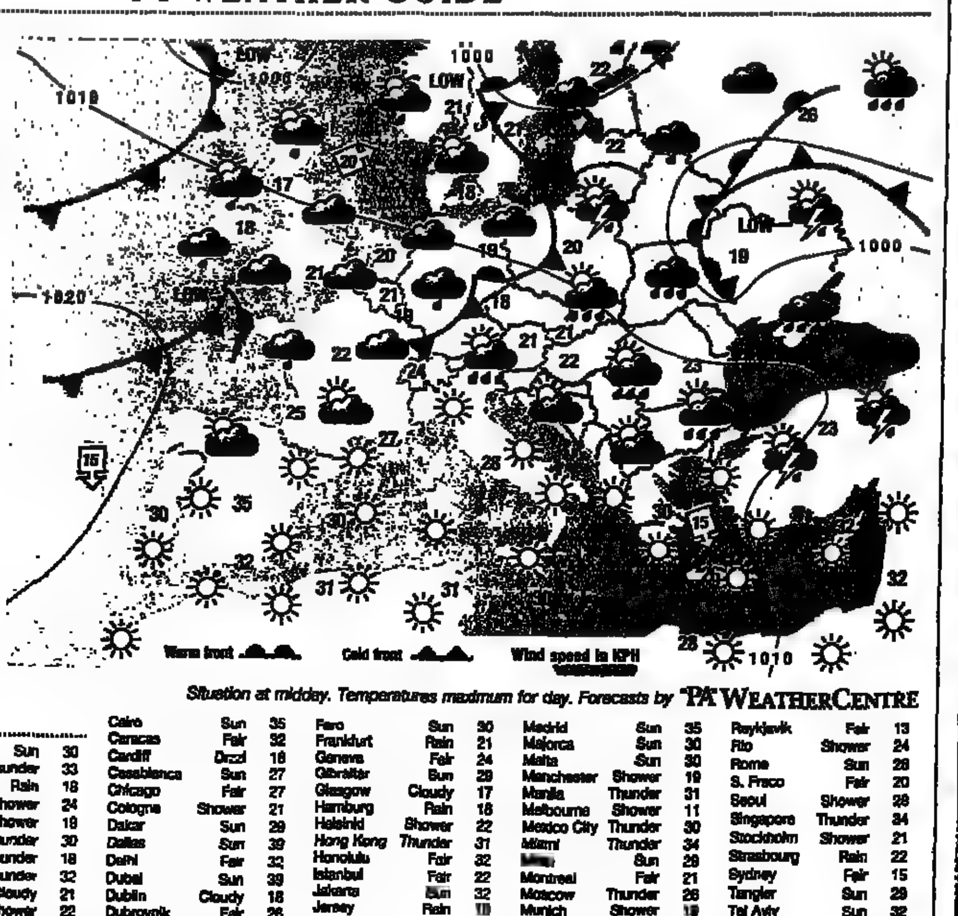
Israeli premier Benjamin Netanyahu, left, and defence minister Yitzhak Mordechai, right, promote Major General Shaul Mofaz chief of staff. AP

FT WEATHER GUIDE

Europe today
Scandinavia will be cloudy and cool with light showers, although sheltered eastern parts will have spells of sunshine. Eastern Europe will be dominated by low pressure with heavy showers and thunderstorms. The Low Countries, western Germany and northern France will be cloudy with showers. The southern half of France and the western Alps should have some sunshine, but the eastern Alps will be cooler with a threat of thunderstorms. All of the Mediterranean will be sunny.

Five-day forecast
The Mediterranean will stay warm and sunny, but it will become unseasonably hot across the southern half of Spain and Portugal. North-west Europe will be unsettled with a deep depression crossing Scotland on Sunday and the western parts of Scandinavia on Monday and Tuesday.



Situation at midday. Temperatures maximum for day. Forecasts by PA WEATHERCENTRE

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	Sun	39
Accra	Fair	28
Algiers	Sun	31
Amsterdam	Cloudy	20
Athens	Sun	30
Atlanta	Thunder	36
B. Aires	Fair	25
B.ham	Cloudy	20
Bangkok	Thunder	32
Barcelona	Sun	30
Beijing	Thunder	33
Belfast	Rain	18
Belgrade	Shower	24
Berlin	Shower	19
Bermuda	Thunder	30
Bogota	Thunder	18
Bombay	Thunder	32
Brussels	Cloudy	21
Budapest	Shower	22
C.hagen	Cloudy	18
Cairo	Sun	35
Caracas	Fair	32
Cardiff	Drzzl	18
Casablanca	Sun	27
Chicago	Fair	27
Cologne	Shower	21
Dakar	Sun	29
Dallas	Sun	39
Delhi	Fair	32
Dubai	Sun	39
Dublin	Cloudy	18
Dubrovnik	Fair	26
Edinburgh	Cloudy	18
Faro	Sun	30
Frankfurt	Rain	21
Geneva	Fair	24
Gibraltar	Sun	29
Glasgow	Cloudy	17
Hamburg	Rain	18
Helsinki	Shower	22
Hong Kong	Thunder	31
Honolulu	Fair	32
Istanbul	Fair	22
Jakarta	Sun	32
Jersey	Rain	[illegible]
Johannesburg	Fair	15
Karachi	Fair	37
Kuwait	Sun	44
L. Angeles	Fair	25
Las Palmas	Sun	28
Lima	Fair	21
Lisbon	Sun	30
London	Shower	21
Lux.bourg	Rain	19
Lyon	Fair	25
Madeira	Fair	25
Madrid	Sun	35
Majorca	Sun	30
Malta	Sun	30
Manchester	Shower	19
Manila	Thunder	31
Melbourne	Shower	11
Mexico City	Thunder	30
Miami	Thunder	34
[illegible]	Sun	28
Montreal	Fair	21
Moscow	Thunder	26
Munich	Shower	19
Nairobi	Fair	27
Naples	Sun	30
Nassau	Fair	33
New York	Fair	29
Nice	Sun	27
Nicosia	Sun	32
Oslo	Shower	21
Paris	Drzzl	22
Perth	Fair	19
Prague	Rain	18
Rangoon	Thunder	30
Reykjavik	Fair	13
Rio	Shower	24
Rome	Sun	28
S. Frsco	Fair	20
Seoul	Shower	28
Singapore	Thunder	34
Stockholm	Shower	21
Strasbourg	Rain	22
Sydney	Fair	15
Tangier	Sun	29
Tel Aviv	Sun	32
Tokyo	Shower	33
Toronto	Fair	23
Vancouver	Cloudy	20
Venice	Sun	27
Vienna	Shower	21
Warsaw	Thunder	20
Washington	Fair	31
Wellington	Shower	14
Winnipeg	Sun	30
Zurich	Shower	21

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FINANCIAL TIMES

COMPANIES & MARKETS

© THE FINANCIAL TIMES LIMITED 1998 FRIDAY JULY 10 1998 Week 28

INSIDE

Rooms to spare in Hanoi's hotels
Five years ago, Hanoi had only one luxury hotel. It now has four, with more than 1,200 rooms. But the Asian crisis has produced a sharp drop in the number of visitors to Vietnam. Over the past six months, the country's hotel sector has become a monument to the over-ambition of investors who came to the country in the early 1990s. Page 19

Queens Moat returns to favour
Queens Moat Houses, the heavily indebted hotel group, has long been regarded as a corporate disaster story. But a gradual improvement in its finances after its near collapse in the early 1990s has attracted the attention of potential bidders. Speculative interest in the shares has helped triple their value since the start of the year. Page 20

D-Mark weakens on Russia fears
Premonitions of problems for Russia weakened the D-Mark against the dollar, while the Swiss franc hit a five-year low against the US currency. Although rumours that President Boris Yeltsin was ill were dispelled by a presidential appearance on television, the D-Mark remained weighed down by worries about Russia's liquidity crisis. Page 23

Russia keeps oil market bearish
A rise in Russian oil exports has emerged as the latest bearish factor to hit crude prices, according to the International Energy Agency. Oil companies have increased production to compensate for Moscow's attempts to squeeze more taxes out of the petroleum sector. Page 24

LCH agrees derivatives clearing plan
The London Clearing House, the body that clears and settles transactions for commodity and futures exchanges, has finalised plans for its proposed clearing service in the over-the-counter derivatives market. Page 22

Asian eyes focus on the yen

As Japan prepares for Sunday's upper house elections, Asian markets are nervously following the fate of the yen. Since many Asian governments abandoned the US dollar peg last year, the region's currencies and equity markets have become more sensitive to the vagaries of the Japanese currency. But while fears of a weak Japanese economy and a depressed yen have hit emerging markets, the benefits when Japan recovers may be limited. For most Asian countries, trade with Japan is less significant than is generally perceived. Page 34

Vietnam's credit rating lowered
Moody's Investors Service, the rating agency, lowered Vietnam's sovereign credit rating to B1 from Ba3 because of concern over stalled economic reforms and the threat posed to its balance of payments position by slowing foreign currency inflows. Page 22

COMPANIES IN THIS ISSUE

CROSSWORD, Page 24

MARKET STATISTICS

General Electric earnings rise by 13%

US multinational shrugs off economic turmoil in Asia and a rising dollar

By Richard Waters in New York

General Electric yesterday justified some of the enthusiasm that has just pushed its stock market value above $300bn for the first time, revealing that it had shrugged off the sort of pressures that have been weighing on the profits of many other US multinationals in recent months.

The world's most valuable company reported a 13 per cent increase in after-tax income for the latest quarter, marking the latest in a long sequence of double-digit earnings advances. The company's continued growth belied the sort of pressures, including Asia's economic turmoil and a rising dollar, that are expected to leave US companies as a whole with earnings growth of only around 2 per cent this quarter.

In a characteristically terse statement accompanying GE's earnings, Jack Welch, the company's chairman, said the record results once again showed "the ability of GE's diverse mix of global businesses to deliver top-line growth, increased margins and strong cash generation."

As in other recent quarters, the company attributed its advance to a continuing shift into higher-margin service businesses, as well as better cost and quality controls.

"GE is emerging as the best global growth company there is," said Nicholas Heymann, an analyst at Prudential Securities. With an estimated 70 per cent of its businesses tied to services, rather than pure manufacturing, GE has been able to avoid the sort of price deflation "that has been crushing the margins of other manufacturers", Mr Heymann said.

GE is less directly affected by Asia than some other US groups, since it looked to the region for only 9 per cent of its revenues last year, and a lower proportion of its earnings.

The US group's revenues climbed 14 per cent to $25.1bn, reflecting growth outside the US – in part through acquisitions – and what it called "product services initiatives". These, along with a drive to raise quality levels, were identified by Mr Welch in the mid-1990s as the main forces behind GE's continued growth.

GE's financial services arm, the only business for which figures are published separately, again grew faster than the rest of the group. GE Capital's earnings rose 17 per cent from a year before, accounting for $933m of the $2.45bn net income notched up by the group in the latest period.

Among other operations, GE singled out aircraft engines and medical products as businesses that had grown strongly during the latest period. These more than offset the decline of businesses which have proved to be more exposed to global competition, such as household appliances and electric motors.

The company said it had used part of the $3.5bn of cash that it generated from earnings in the first half of the year to buy back $923m of its own shares.

GE's stock jumped $1⅞ to $95¼ yesterday morning, a new record.

Hallmark UK's MD Homer Kay (left) and chairman Keith Alm put their cards on the table after acquiring Creative Publishing Colin Beere

Hallmark pays $310m for UK card group

By David Blackwell

Congratulations and best wishes to Creative Publishing of the UK, which yesterday announced its engagement to Hallmark Cards of the US in a deal worth £188m ($310m).

The takeover deal marked the first move by Hallmark, one of the biggest privately owned companies in the US, into manufacturing in the UK, which leads the world in greetings card purchases.

Keith Alm, chairman of Hallmark UK, said annual consumption of cards, mostly Christmas cards, in Britain is 55 a head – double that of the US: "The rest of the world doesn't even come close."

Creative was demerged only last October from Fine Art Developments, the UK mail order group best known for its Christmas hamper business, at 170p a share. Hallmark Cards UK, the British offshoot of the private US group, has agreed to pay 233p a share, a 37.5 per cent premium to the closing price on Wednesday. Shareholders will also receive the final dividend of 5.75p.

Creative has become the largest European greeting cards producer, with 2,000 employees, three card factories and a Christmas cracker factory in northern England. In May the company reported a 12 per cent rise in profits before exceptionals to £15.2m on sales of £155m for the year to March 31.

Keith Chapman, chairman of both Creative and Fine Art, said the two businesses would fit together well and end up with about 29 per cent of the £1bn-a-year UK market. "The object is not rationalisation – this is all about growth."

Hallmark sells its cards through main street retailers such as Clinton Cards. It is planning to take advantage of Creative's production capacity, and is taking on the management team – though Mr Chapman is leaving.

The group has operated in the UK for 40 years, and in 1994 acquired Andrew Brownsword's card company, including the quintessentially English Gordon Fraser and Forever Friends brands. Yesterday it also announced the retirement of Mr Brownsword, who was in charge of its European operations.

Hallmark had sales last year of $3.66bn. It is based in Kansas City, Missouri, where founder Joyce Hall started selling postcards in 1910. Mr Hall, who was named after a bishop and constantly received mail addressed to Miss Hall, died aged 91 in 1982.

The company employs 700 artists in the US and offers cards for every occasion – from birth to death, taking in all stages of modern American courtship.

Investment hits Austrian tights group's profits

By Alice Rawsthorn in London

Wolford, the Austrian hosiery manufacturer, saw its shares fall by Sch44.2 to Sch785 after disclosing a steep reduction in its pretax profits to Sch173m ($107m) in the year to April 30, from Sch280m in the previous year.

Fritz Humer, Wolford's chief executive, attributed the profits decline to the company's investment in new manufacturing facilities, product diversification, store openings and increased advertising expenditure.

"We've already seen some benefit of the first part of this investment," he said. "And it should help us to produce double digit growth in sales and profits this year."

Wolford is also expected to take advantage of the return to fashion of opaque tights, which featured in the autumn 1998 collections of several influential fashion houses, notably Prada, and from the launch of its first range of men's tights, due to go on sale in October.

Mr Humer warned investors this spring that Wolford's profits would be down in the last financial year, because of the cost of its expansion programme and the impact of the relatively mild European winter.

Wolford, which has nurtured a niche at the upper end of the hosiery market by winning a reputation for technical innovation and design flair, had previously experienced robust growth. The board proposed an unchanged dividend of Sch10 for last year.

Wolford mustered a modest increase in turnover of almost 1 per cent to Sch1.66bn. However, its expensive investment programme triggered a 33 per cent fall in net profits to Sch127m.

Mr Humer said Wolford had embarked on a long term plan to invest roughly £30m on building state-of-the-art production plants, which will be completed next January.

Last year, it also launched sales operations in China and the Netherlands, expanded its existing one in Japan, and opened 37 retail outlets, making a total of 197. This year, Wolford plans to open flagship stores in New York and Vienna, as well as shops-in-shops in Japan.

Mr Humer hopes the new stores, coupled with the men's hosiery launch, will contribute to healthy sales growth this year.

The men's range includes ankle socks and knee-highs as well as tights. Mr Humer said "all the big department stores", such as Harrods and Harvey Nichols in London, had placed orders for this autumn.

He said so many men were buying Wolford's opaque women's tights that the company decided to develop a special male range.

Mr Humer expects men to buy them "for aesthetic reasons, because tights look better than crumpled socks, and for warmth".

Telerate disposal leads to after-tax loss for Dow Jones

By Richard Waters in New York

Dow Jones, the business information company, yesterday reported solid growth from its new, narrower range of publishing ventures during the latest quarter. But the final impact from the sale of the troubled Telerate business left it with an after-tax loss for the period.

The sale of Telerate enabled the company to report pro-forma earnings for the first time to reflect its continuing businesses, which have been rearranged in three new segments: print publications, led by the Wall Street Journal, electronic publications, including newswires and the Dow Jones' indexes, and Ottaway, a local newspaper group.

Together with a more detailed breakdown of its financial performance, the shift in presentation had helped to shift the focus away from Dow Jones' past problems and on to the strengths of its remaining operations, said Michael Ellmann, an analyst at Schroder in New York.

The company's print operations produced revenues of $308m in the three months to the end of June, a 6.7 per cent increase from the year before.

However, profit margins in Dow Jones' print business slipped on the back of weakness in advertising volumes in Asia and rising newsprint prices. The print business produced earnings before interest, taxes and depreciation (ebitda) of $82.3m, or 26.7 per cent of revenues, down from 29.4 per cent of revenues a year before.

Dow Jones' decision to sell Telerate and invest more in its print operations has drawn an enthusiastic response from the stock market in recent weeks. After it announced in the middle of last month that it would invest $230m to expand the Wall Street Journal, the company's shares rose 20 per cent to a new record, though they slipped back $2¼ to $56¼ yesterday morning on profit taking.

Japanese funds growth 'set to benefit foreign groups'

By Gwen Robinson in Tokyo

Japanese banks and foreign financial groups will be the main beneficiaries of changes in Japan's growing market for mutual funds, according to Moody's Investors Service, the US credit rating agency.

Mutual funds currently represent about $300bn in assets under management in Japan, low in comparison with other developed fund markets.

But 'big bang', Japan's programme of financial reforms, has enabled foreign fund managers and Japanese banks to compete with securities houses.

Moody's said the expected introduction of defined contribution pension plans would provide further growth opportunities.

Traditionally, mutual funds in Japan have been poorly marketed by domestic brokers, previously the only institutions allowed to distribute and manage mutual fund management companies.

But deregulation and growing competition have combined with declining yields in popular investment areas, such as bank deposits and the stock market, to drive demand for mutual funds.

Foreign groups account for little more than 1 per cent of Japan's mutual market, but this figure is expected to grow as increasing numbers start offering both yen-based and foreign currency mutual fund products. Domestic banks, meanwhile, are positioned to gain a strong hold in the market with what Moody's described as "huge potential placing power". There are more than 900 deposit-taking institutions in Japan. The top five banks each have about 300-350 branches. Most large banks have announced plans to start selling mutual funds.

While securities houses will benefit from growth in the mutual fund market, their market share is set to fall from about 90 per cent to just over 50 per cent. Japanese banks and foreign and domestic financial groups can expect to see their share rise to about 40 per cent from 3 per cent of total industry assets.

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PRINTING COUNTER-BID FENDS OFF ATTENTIONS OF CARL BENNET AND PROVIDES CANADIAN GROUP WITH ENTRY TO EUROPE

Tryckinvest finds white knight in Quebecor

By Greg Mcivor in Stockholm and Edward Alden in Toronto

Quebecor Printing, North America's second largest commercial printer, yesterday precipitated a rare cross-border takeover battle in Scandinavia by launching a SKr1.77bn ($219m) white knight bid for Tryckinvest i Norden, one of Sweden's largest printers.

The cash offer, which has been recommended to shareholders by Tryckinvest's board, trumps a hostile bid for a 30 per cent stake in Tryckinvest by Carl Bennet, a Swedish investor.

Charles Cavell, Quebecor chief executive, said Tryckinvest would be its first Nordic acquisition and would serve as a springboard for expansion throughout Scandinavia and into Russia.

The purchase would make Quebecor the largest pure commercial printer in Europe, increasing its revenues to more than US$800m a year in a fragmented market.

"The acquisition is not primarily driven by synergies but by our desire to enter a new market," Mr Cavell said in Stockholm.

Quebecor has been highly acquisitive in recent years and has sought fresh growth opportunities after being outbid by Investcorp of Bahrain in its attempt to acquire Watmoughs, the UK printer, earlier this year.

It said its SKr170 a share cash offer represented a 17 per cent premium to Tryckinvest's average share price during the previous 20 days.

Meanwhile, Mr Bennet, whose SKr154-a-share offer for a 30 per cent holding has been rejected by Tryckinvest's board, insisted he would not raise his bid.

He wants Tryckinvest to collaborate with Elanders, a smaller printing company in which he bought a 53.7 per cent stake last year.

Swedish dual share structures, giving some investors greater voting power than others, make life difficult for corporate predators. Tryckinvest, however, has a single share class.

Quebecor said it had accumulated a 6.2 per cent stake in Tryckinvest, and shareholders with a further 10.3 per cent of the capital had undertaken to accept its bid.

These included financial institutions UBS Capital and MB Finance, as well as Tryckinvest's senior managers and board members who were shareholders.

Tryckinvest shares jumped SKr15, or 10 per cent, to SKr166. The company has had a bumpy ride since its debut on the Stockholm Stock Exchange in June at SKr144 a share.

Three days after flotation, Mr Bennet launched his offer for a 30 per cent stake, saying he wanted to become chairman. Under Swedish law this would not oblige Mr Bennet to make a full bid, but industry observers said it would give him de facto control and might presage a merger of Tryckinvest with Elanders.

Tryckinvest had pre-tax earnings last year of SKr174m on sales of SKr1.6bn.

The Canadian company made pre-tax profits of $201.6m on sales of $3.5bn.

Quebecor is being advised by Warburg Dillon Read and Carnegie.

Benchmark race hots up as London and Frankfurt link

The two exchanges plan a common index for blue-chip stocks and their choice is of crucial importance, writes **Simon Davies**

It was already labelled the year of the battle of the indices. But the alliance between the London and Frankfurt stock exchanges means the victor among pan-European equity benchmarks will emerge far more quickly than could have been predicted.

The two exchanges have declared they would like to agree on a single family of benchmarks for their prototype European blue-chip stock market.

This will almost certainly become the key index for European equity derivatives and portfolio investors, making it a glittering prize for the index-providers. It will also have a significant impact on stock performance, since the indices have different constituent stocks.

The choice will be a delicate one. The London Stock Exchange owns half of FTSE International (the other half is owned by the Financial Times), which manages the Eurotop indices, traded on the London and Amsterdam derivatives exchanges.

Meanwhile, Frankfurt has tied the knot with Dow Jones's Stoxx indices, traded on the Swiss, German and French futures markets.

Eurotop has had some success licensing the index for the over-the-counter derivatives market, and FTSE International is the more established international index brand. However, its futures contracts in London have got off to a slow start, while Stoxx is trading about $30m a day of underlying index value and is proving successful in the OTC market as a benchmark for markets within the first wave of European monetary union.

But Eurotop has one big advantage. The exchanges are looking for about 300 blue-chip constituents for their market, and Eurotop is the only index-provider with a 300-company index. This also covers 70 per cent of the market, compared with only about 30 per cent for the Stoxx 50, making it a much broader reflection.

Nonetheless, Martin Wheatley, one of the London Stock Exchange's representatives on the alliance's "project board", says: "We have a complex set of legal issues to be resolved before an index can be selected."

The outcome is of broad significance. From January 1, vast amounts of insurance and pension fund money in Europe will be freed from domestic constraints and able to be invested within the entire euro zone of 11 countries.

Insurance companies in Europe hold assets greater than pension funds and investment funds put together. And for a large number of insurance companies, 80 per cent of the currency denomination of their assets must match the currency of their liabilities.

So a German insurance company, which could only have 20 per cent of its assets outside its national borders, will be able to spread its assets around the entire euro zone, from the start of next year. This will encourage the use of regional benchmarks instead of domestic ones, sparking tremendous portfolio shifts.

As portfolios shift from an almost purely domestic to a regional focus, fund managers are likely to stick closely to a narrow benchmark of blue-chip stocks, so the selected index will have a particularly strong influence on investment.

Sandy Rattray, head of equity derivatives research at Goldman Sachs, argues: "There will also be a lot of mutual funds based on narrow indices." It is estimated that more than $100bn will go into equity mutual funds in Europe this year and that this sum will grow at a rapid rate, channelling large fund flows into the constituent stocks of the most popular index.

Dresdner Kleinwort Benson argues investors should invest in 27 "Euro-giants" on the basis they are the only companies in all the pan-European indices, and will therefore benefit regardless of which index emerges as the most widely accepted.

The stock exchanges have remained coy as to what their selection criteria will be. Institutional investors will want a decision fairly rapidly, given the cost of shifting benchmarks and therefore portfolios.

But Mr Wheatley argues the decision could take some time, and that institutions will have to take restructuring hits anyway, with the various waves of entry into Emu.

The stock exchanges cannot necessarily dictate the victor. If market participants are not comfortable with the exchanges' choice, they will use another benchmark. The Hong Kong Stock Exchange still valiantly produces its family of indices, while investors have eyes only for the Hang Seng.

But by providing an official seal of approval, these exchanges will clearly be giving a significant tilt to the playing field.

The UK's Sun newspaper has already christened the pan-European replacement for the UK's FTSE 100 index, or "Footsie". The paper came up with the "Fritzie", in a jocular reference to the German connection.

In making their final choice of index, the Frankfurt and London exchanges are likely to be rather more diplomatic.

Lyonnais trims its foreign activities

By Robert Graham in Paris

Crédit Lyonnais, the French bank, yesterday announced a further trimming of its international operations with the sale of its Austrian subsidiary to Anglo Irish Bank, and its activities in Denmark and Sweden to Dresdner Bank of Germany.

The sell-off is part of moves agreed with the European Commission.

In return for Brussels' approval of French government restructuring aid and cash injections, the state-controlled bank agreed to cut back its international network.

The sale of Crédit Lyonnais Bank Austria in Vienna is believed to be for a near-token amount. The Austrian bank employs about 30 staff and handles FFr1.6bn ($262m) a year in deposits.

Tiaran O'Mahoney, a director of Anglo Irish Bank, said: "Our experience in Austria equips us to realise the potential of the Crédit Lyonnais acquisition.

"We have also completed the purchase of a corporate foreign exchange client portfolio from Banque Indosuez in London and the investment and trust business of Mees Pierson in the Isle of Man."

Both the Danish and Swedish subsidiaries employ 30 people and specialise in export finance. Both banks have balanced books and handle the equivalent of FFr6.6bn of funds.

The exit from these peripheral markets was announced as the French government appointed Rothschild as its adviser for the privatisation of Crédit Lyonnais, which is due before October next year.

Rothschild was chosen from a list of eight contenders. Crédit Lyonnais has already selected Schroders as its own adviser.

● Mike Rowlinson, a former senior executive of Union Bank of Switzerland in London, is moving to Den Danske Bank, writes Clay Harris, Banking Correspondent.

As deputy general manager of the Danish bank's London branch, Mr Rowlinson will have overall responsibility for all corporate and institutional banking and debt capital markets.

Den Danske Bank has also recruited Erik Wenngren from Paribas of France to be global head of equities and lead its corporate finance and mergers and acquisitions activity in London. He was co-head of European equity capital markets at Paribas.

Mr Rowlinson had spent 10 years at UBS and was a member of its executive committee before the merger which created Warburg Dillon Read.

Most recently head of structured finance, he had also been global head of loan syndications and functional head of real estate finance and securitisation for Europe.

German sex industry company considers IPO

By Frederick Stüdemann in Berlin

Beate Uhse: Wants to raise profile outside Germany

After more than four decades of unashamedly presenting the respectable face of the sex industry, Beate Uhse is now considering raising its profile even further – through an initial public offering.

Beate Uhse, the septuagenarian founder of the privately-held German company, which operates sex shops, cinemas, a mail-order business and the world's first "erotic museum", says she is looking at ways of financing expansion in Europe.

Outside Germany, where the company has more than 60 shops either directly operated or under franchise, Beate Uhse has outlets in Austria, Switzerland and Spain. "But we are not present in the big territories – Britain, France and Italy. To get there we need capital," Ms Uhse said yesterday.

She said no final decision had been taken on whether to proceed with an IPO, but action would need to be taken in the next few months if the company was to list next year.

If the IPO went ahead, she and Ulrich, her son and joint-owner of the business, would retain a majority stake. The company, which began life after the second world war selling pamphlets on birth control and operated from Ms Uhse's kitchen table, had sales last year of DM130m ($71m).

Over the past 10 years the company has greatly benefited from the fall of communism and the rise of Aids. When the Berlin wall was breached in 1989 the company was quick to service one of the many desires untapped by the communists and now has around 2m mail-order customers in eastern Germany, compared with some 3m in the west.

The spread of Aids has encouraged many couples to stay monogamous, according to Ms Uhse, and this has spurred demand for pornographic films and magazines, sex toys, telephone sex services and titillating underwear.

The company, which employs 600 and is based in the north German town of Flensburg, has also expanded into multimedia products and forms of distribution, such as CD-Roms.

Endemol takes 50% interest in Groupe ASP

By John Gapper, Media Editor

Endemol, the rapidly expanding Dutch television production company, has completed the first stage of its international strategy by taking a 50 per cent stake in Groupe ASP, the French production group.

Endemol's deal with Groupe ASP, following its purchase in February of a 50 per cent stake in Broadcast Communications, the UK production group, means it is now represented in Germany, Italy, Spain, the UK and France.

Endemol, which specialises in producing dramas and quiz shows, is among the largest European production companies, together with Pearson Television, a subsidiary of Pearson, owner of the Financial Times.

"The big blank spot has been filled with this beautiful deal," said John de Mol, chairman of Endemol, which declared last year that it wanted a presence in the biggest five television production markets in Europe.

Mr de Mol also insisted Endemol's 10-year deal with the Netherlands broadcasting company HMG, which is estimated to contribute 70 per cent of its television revenues in the country, would remain substantially intact.

There had been speculation HMG would demand changes in the contract, but Mr de Mol said that although there were "a couple of things that it will not hurt Endemol to change in this deal", it would not be changed radically.

Groupe ASP, which was co-owned by a television personality known as Arthur and his partner, Stephane Courbit, is expected to have sales of Fl 65m ($31.7m) in the year to August 31, and Endemol said it expected "considerable growth".

The terms of the deal were not disclosed, although the two founders will retain the remaining 50 per cent of the shares. Endemol will also try to use ASP as a vehicle for expanding further into the French television market.

Case Productions, a subsidiary of ASP, produces popular television shows in France including *La Fureur* and *Les Enfants de la Télé*. Mr de Mol said these formats could be exported to other markets by Endemol.

Russian banking sector shaken by failures

By Charles Clover in Moscow

Russian banking has been shaken by two high-profile bankruptcies, boding ill for a sector already jittery about a possible devaluation of the rouble.

On Wednesday, the Russian central bank announced that Unikombank, the country's 34th largest, would be taken over, while last week saw the failure of a rescue attempt for Tokobank, the 17th biggest.

Unikombank, with assets of about $1bn, was taken over by Oneximbank, the fourth largest Russian bank. With Unikombank, Oneximbank will have assets equivalent to $4.5bn, according to Holger Mueller, banking analyst at Fleming UCB, the Moscow investment bank.

Little is known, however, of the quality of Unikombank's loan portfolio or how much Oneximbank will have to invest.

Meanwhile, Tokobank's creditors can expect to suffer losses of at least 20 per cent, according to analysts, if no new investor is found.

The Bank of Moscow, controlled by the city government, agreed in May to invest $150m in Tokobank in return for a majority equity stake. But last Friday, the central bank withdrew from the deal after discovering that the required investment would be three times the original estimate.

Andrei Sedin, head of risk management for Tokobank and a member of the board of directors, says the group suffered from a short-term cash flow problem, depending too much on short-term borrowing from foreigners to make long-term loans. When the Asia crisis struck, the supply of foreign funds dried up, plunging Tokobank into insolvency.

Analysts point to the fact that the bank held forward dollar contracts worth $14bn, or 50 times the bank's capital. From the beginning of the year until last month, Tokobank unwound $8bn of these contracts, with unknown losses, they say.

But Mr Sedin argues that these contracts were evenly hedged between sell and buy orders. "The problem with the bank is not with forward deals but with liquidity."

The composition of the liabilities of the Russian banking system is not clear. Analysts are unanimous that many other banks might also be vulnerable to an interruption of foreign credit. Reliance on foreign, dollar-denominated borrowing to fund lending in roubles, as Tokobank did, would leave many exposed to any devaluation of the Russian currency.

In addition, the banks have amassed $355bn in outstanding forward dollar contracts – more than three times the combined assets of the banking sector. This, however, covers all contracts – buy and sell – so the figure says little about how well the banking system is hedged against devaluation.

Experts are not optimistic. "A 10 per cent devaluation of the rouble would lead to untold losses in the Russian banking sector," Vladimir Vinogradov, vice-president of the Association of Russian Bankers, said yesterday. "This would cause insolvency in the Russian banking sector as a whole."

Only a handful of banks have attracted significant household deposits or built up long-term industrial loan portfolios. Most function essentially as a treasury for their shareholders, and lend predominantly in the market for government debt.

NEWS DIGEST

FINANCIAL SERVICES

Citibank launches pilot scheme aimed at SMEs

Citibank, the US banking group, is launching a new division aimed at small to medium-sized companies, particularly in Asia. The scheme, CitiBusiness, is being rolled out in seven pilot countries, including Hong Kong, Taiwan and Malaysia.

In Hong Kong alone the bank says there are more than 300,000 small to medium sized companies. "With liquidity tight and the economic conditions not as favourable, we saw this proposition making all the more sense, and pushed ahead hoping our initiative could help alleviate some of the difficulties small and medium sized businesses are facing today," the bank said.

Companies with an annual sales turnover below HK$400m ($52m) will be offered a range of corporate banking services, including asset-backed financing, trade finance, cash management and foreign exchange management. In addition, Citibank is bolting on a number of services, including seminars which will look at the problems faced by smaller businesses. **Louise Lucas, Hong Kong**

POWER

Indonesia may delay projects

General Electric and Mission Energy of the US, PowerGen of the UK and Siemens of Germany could see Indonesian power projects delayed because the grid no longer needs the electricity, according to Indonesia's power utility director.

Djiteng Marsudi, president of Perusahaan Listrik Negara, told parliament that Paiton I and II, under construction in eastern Java, could be delayed because PLN already faces a power glut and cannot pay for private power it does need.

Mission Energy, General Electric and Mitsui had hoped to start up Paiton I in November. Paiton II, run by Siemens and PowerGen, was due to open next year. Planned investment at the plants is around $2.6bn each. Both include local partners tied to former president Suharto.

Mr Djiteng said earlier that PLN would make a net loss of Rp5,600bn ($364m) only if PLN received another Rp2,300bn government subsidy and the rupiah stabilised at Rp6,000 to the dollar. The rupiah weakened to Rp15,500 yesterday and subsidies are far from secure. **Sander Thoenes, Jakarta**

LEISURE

Cofir launches hotel network

Cofir, the Spanish wine and hotels group preparing an ADR issue, said yesterday it was launching a network of two-star hotels to broaden its market share in Spain, where it operates 66 units in the upper segment of the hotel sector. In an initial phase, NH, the group's hotel arm, will spend Pta7.5bn ($49m) over the next 30 months on 20 hotels, half of which will be leased.

The initiative follows a failed partnership attempt last year between Cofir and France's Accor that involved opening 70 two-star hotels in Spain over seven years under Accor's Ibis brand name. The venture was wound up after management disagreements and NH will now operate a similar network, called Express, on its own.

NH said it was also close to securing a hotel property in Buenos Aires, the first unit of a planned expansion in Argentina and elsewhere in Latin America. Cofir, which controls a number of upmarket Rioja wineries, bought the 34 per cent of NH that it did not own last year from the chain's founder, and the hotel business now represents 67 per cent of the group's assets and 58 per cent of its sales. Total revenues at NH climbed 22.35 per cent in the first half of this year to Pta14.6bn, because of increased occupancy and improved price margins.

The group is one of a handful of Spanish companies that has obtained permission from the Securities and Exchange Commission to trade in unlisted, over-the-counter depositary receipts. It pioneered widely held stock ownership on Madrid's Bolsa after a large group of international investors acquired a 48 stake in the group in 1966 from Carlo de Benedetti, the Italian financier. **Tom Burns, Madrid**

JAPAN

Isetan to merge with partner

Isetan, the Japanese department store group, is to merge with its property affiliate, Universal Estate, on October 1. The move is aimed at achieving efficient use of group assets.

Isetan, which has a 17 per cent stake in Universal Estate, and will issue 21 of its shares for one share of Universal Estate. Isetan will issue 1.74m shares with the merger proposal.

Other leading shareholders in Universal Estate are Tokyo Life Insurance and Secom, each with 10 per cent, with Tokyo-Mitsubishi Bank holding 5 per cent.

Following the merger, Isetan said it expected to post a parent pre-tax profit of Y13bn ($93m) on revenue of Y435bn in the year to March 1999, and a pre-tax profit of Y13.3bn on revenue of Y439.3bn the following year. **AFX-Asia, Tokyo**

THE NETHERLANDS

Océ lifts on copier sales

Océ, the Dutch reprographics group, lifted second-quarter net profits 24 per cent to Fl 73m ($36m), on a 16 per cent rise in sales to Fl 1.54bn. Growth was strongest in its main line office systems, largely comprising copiers.

The result came in spite of a 20 per cent increase in financial charges to Fl 35m, and a higher tax burden. For the first six months, earnings were up 25 per cent at Fl 128.5m.

Océ shares, after opening higher, ended Fl 4.30 down on the day at Fl 84.20. The group said at the same time it had taken over Groupware Technology, which for the last five years has worked exclusively for Océ in developing software. The printroom automation system devised by the Cleveland, Ohio company controls large format printers and copiers at multiple locations. **Gordon Cramb, Amsterdam**

ITALY

BNL prepares for IPO

Carlo Azeglio Ciampi, the Italian treasury minister, said yesterday that an initial public offering for 51 per cent of Banca Nationale del Lavoro would take place just after the summer holidays, which could mean as early as September.

Mr Ciampi told a joint hearing of the finance commissions of both houses of parliament that a search for institutional investors would continue, following the failure of a joint bid for a minority stake by INA, the Italian insurer, and Credit Suisse First Boston. "The IPO for at least 51 per cent of BNL will happen right after the summer holidays," he said. "At the same time [we will] carry forward the possibility of a subsequent sale of part of the part of the capital left in public hands to a bank, a group of banks, or insurers who might be interested.

Last month, the Treasury rejected the INA-Credit Suisse bid on the question of pricing. However, it accepted a bid from Banco Bilbao Vizcaya of Spain for 10 per cent of the equity. Mr Ciampi said yesterday there was "nothing stopping" INA relaunching a bid after the IPO. **AFX News, Rome**

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BRAZILIAN ENERGY PRIVATISATION GROUPING LED BY GRUPO REDE BUYS CONTROLLING STAKE IN ELECTRICITY DISTRIBUTOR

Celpa sold to consortium for R$450.3m

By Geoff Dyer in São Paulo

The privatisation of Brazil's energy sector took another step forward yesterday when a consortium led by Grupo Rede, a Brazilian utility, paid R$450.3m ($388m) for a controlling stake in Celpa, the distribution company in the northern state of Para.

Celpa is the 14th Brazilian electricity distributor to be sold in an energy privatisation programme which also includes the country's huge generating capacity and which could see $30bn-$40bn of assets transferred to the private sector.

The Grupo Rede-led consortium was the only bidder for the 51.25 per cent stake in Celpa in an auction at the Rio de Janeiro stock exchange and offered the minimum price the state government had asked for the shares.

The other member of the consortium is Inepar, a Brazilian telecommunications and electrical equipment manufacturer. The National Development Bank provided finance for half the minimum price.

Celpa covers the eastern part of the Amazon region. In November, the same bidders paid R$391.5m for Cemat, the distribution company in the neigh-bouring state of Mato Grosso.

Jorge Queiroz, president of Grupo Rede, which also owns four energy companies in the state of São Paulo, said the group was interested in bidding for the distribution companies in the Amazon states of Acre and Rondonia, which are due to be privatised next year.

Mr Queiroz added that Celpa would need immediate investment of R$110m to reduce its unusually high energy-loss ratio of about 38 per cent.

Rodolfo Andriani, president of Inepar Energia, said the group, which has stakes in energy generation projects in both Brazil and Argentina, was considering a number of invitations to take part in the privatisation of Gerasul, the first of the five large generation companies to be sold.

Earlier this week, the government said it would sell a controlling stake in Gerasul on September 1 for a minimum price of R$945m. The government is now expecting to raise US$27bn from privatisations this year, including the planned sale of Telebrás later this month.

Lucent pays $117m for LanNet

By Roger Taylor in San Francisco

Lucent Technologies, the telecommunications equipment company, is buying LanNet, the Tel Aviv-based supplier of computer networking equipment, for $117m.

Lucent has been rapidly expanding its data networking division through acquisitions to take advantage of a market growing far faster then the traditional telephone equipment market.

Since September it has bought Livingstone Enterprises, Prominet Corporation and Yurie Systems, which all build networking equipment.

Bill O'Shea, president of Lucent's Data Networking Systems group, said LanNet would expand the company's range of "intelligent switches" for office networks. Intelligent switches are machines capable of recognising different types of data traffic and handling them accordingly.

Mr O'Shea added that the market for this type of equipment was growing at more than 20 per cent a year.

In May, Richard McGinn, Lucent chairman and chief executive, said: "The issue for our customers is how to offer the same quality of service in the data world as we do in the voice world."

Lucent is buying LanNet from Madge Networks, the UK-based network equipment group which bought LanNet for $300m in June 1995. Madge said in April it intended to spin off LanNet.

The cost of the deal, after deducting cash on LanNet's balance sheet, would be $73m. LanNet said it had revenues of about $25m a quarter and was "slightly profitable" in the first quarter of 1998.

Richard McGinn: seeking quality in data service AP

Change of tack takes radio into the US media mainstream

Chancellor's $1.5bn Lin buy highlights operators' strategy, says **Christopher Parkes**

A touch on the brakes by the US Justice Department may have slowed the hell-for-leather pace of consolidation in the radio industry, but it has had no noticeable effect on the direction of one of the leaders of the buying spree.

Having watched as 4,000 of the nation's 11,000 radio stations changed hands in the past two years, Joel Klein, assistant attorney general, intervened in April when he objected to a deal which would have added four local stations to Chancellor Media's collection of 108.

"As the radio industry continues to consolidate in the wake of the Telecommunications Act of 1996, we will continue to seek relief where radio mergers harm the competition that helped make radio an effective and affordable way to advertise," he said.

Chancellor promptly changed tack and started adding other assets offering cheap and affordable advertising opportunities: billboards and, this week, local TV stations.

With the agreed $1.5bn-plus purchase of Lin Television's dozen local stations, the company augmented the 13,000 billboards which came with last month's $610m cash buy of Martin Media, and started its transformation from a pure radio group into a mixed-media group.

Funding and inspiration for the strategy have come from Tom Hicks, chairman of Hicks Muse Furst & Tate, a Texan leveraged buy-out specialist formed in 1989 and which has sprung to prominence since the Telecoms Act eased restrictions on station ownership.

Before 1996, Hicks Muse had been best known for deals which gave it control of the maker of Bumblebee canned fish and the Chef Boyardee canned and frozen pasta products.

Since then, consolidation of radio has seen a former cottage industry reborn as a mainstream media business, in a process which has seen sector stocks rise fivefold since 1995. Infinity Radio, built up by Mel Karmazin, who in 1996 sold it to CBS, was one of the drivers of the process.

Hicks Muse was never far behind, and even today, combined annual revenues from its radio interests of $1.5bn equal those of CBS' radio division. As well as a 9 per cent stake in Chancellor, the firm controls Capstar Broadcasting, another radio group which specialises in stations serving small- to mid-sized markets.

Hicks Muse, which will double its stake in Chancellor to 18 per cent through the Lin merger, bought Lin, apparently as part of a stand-alone TV business in March. At the time, analysts assumed it would form the basis for a "buy-and-build" television station operator, but as it emerged this week, Mr Hicks' intentions are more complex.

Mr Hicks – who made his reputation in the LBO business in the 1980s with buy-outs of the Dr Pepper and Seven Up beverage businesses – demonstrated his buy-and-build technique five years ago when he paid chemicals group DuPont $370m for its Berg Electronics division.

Within two years, Berg had bought six related companies in run-of-the-mill electrical components, and joined the industry's leaders.

A similar process seems to be under way with the firm's ventures in buying cinemas, another industry considered ripe for consolidation.

Until recently, Chancellor Radio, established in 1994, and Capstar were following the same track.

Although revenues are growing at about 10 per cent a year as advertisers seek alternatives to costly television slots, and as radio operators exploit cost efficiencies resulting from acquisitions to offer competitive rates, the Justice Department's intervention served notice the US acquisitions boom may be ending.

Nevertheless, that appears to offer little hindrance to Mr Hicks' declared aim of building a significant media corporation. The Telecoms Act, which allows a single company to own up to eight stations in a single market and control up to 35 per cent of a market's advertising dollars, still allows plenty of flexibility for adding stations.

Big buys may be complicated by the Justice Department's insistence that ownership boundaries may not be over-stepped, but that has not prevented Hicks Muse reviewing the possibility of combining its media assets with those of Jacor Communications, which has about 200 stations.

With a market capitalisation of more than $2.5bn, Jacor would represent Hicks Muse's biggest investment to date. But after raising $2.5bn from institutional investors last year, and another fund of more than $3.5bn in the planning, money is likely to be much less of a problem than the watchful Mr Klein.

US billboard industry sees strong growth

Leading US consumer products makers are turning increasingly to outdoor advertising to supplement promotions on television and radio and in the print media, writes **Christopher Parkes in Los Angeles.**

Consistently lower costs and improved poster-making technology helped the industry increase sales last year to the nation's top 25 advertisers by 32 per cent, according to Competitive Media Reporting, a monitoring and research company.

Cable television improved 22 per cent, while broadcast networks – which still claim the biggest national audience – increased their revenues from this group of advertisers by less than 10 per cent.

Billboard companies have been selected as acquisition targets by Chancellor Media, the fast-growing radio and television company which specialises in small to medium-sized regional and local markets.

According to the Outdoor Advertising Association, the cost of reaching 1,000 potential consumers with a billboard starts at 77 cents for an eight-sheet poster, compared with more than $5 for slots in prime-time radio during the morning and evening commuting periods, and up to $18 for commercials during prime-time network television programmes.

The billboard industry, which promotes itself with the slogan "It's not a medium, it's a large", said film studios, led by Walt Disney, were among the biggest spenders last year.

Inco agrees to sell alloys unit

By Scott Morrison in Toronto

Inco, the world's largest nickel producer, has agreed to sell its alloys operations – its last large non-core asset – to Special Metals, the US super-alloy producer, for an expected US$408m.

The sale is part of the troubled Canadian company's strategy of divesting non-core assets to focus on its primary metals business and to raise funds to develop its Voisey's Bay nickel project.

While the purchase price is subject to adjustment – based on Inco Alloys International's net worth up to closing – Inco said it expected to record an after-tax gain of approximately US$73m.

Net proceeds from the sale of US$395m will go toward reducing Inco's US$1.6bn debt. Analysts said the sale is a small positive long-term step for the troubled company, which has been hit hard by slumping nickel prices.

A previously agreed sale of Inco alloys division to the Blackstone merchant banking group for US$410m was blocked by the US Justice Department due to antitrust concerns.

The sale to Special Metals is also subject to regulatory approval, including antitrust clearance, but observers expect the transaction to proceed. Special Metals, which had 1997 revenues of US$186m, produces super-alloys primarily used in the aerospace industry. Both Inco's and Blackstone's alloy operations produce flat-rolled products.

Analysts said the sale should provide Inco with more financial flexibility to move ahead with the Voisey's Bay project. This, the world's largest undeveloped nickel deposit which Inco acquired for C$4.3bn, has been delayed by environmental and land claim disputes with Newfoundland's native groups.

Development has also been hampered by a stalemate with the provincial government, which insists the the project proceed as planned. The company maintains that the fall in price of nickel has rendered economically unviable its original proposal to invest US$1.4bn in a mine and smelter.

Lower metals prices has prompted Inco, which has recorded two consecutive quarterly losses, to announce earlier this year a restructuring plan to cut jobs and reduce costs.

NEWS DIGEST

VENEZUELA

Aluminium sale priced at low end, Caracas admits

The Venezuelan government has admitted that the $1.55bn base price for the July 15 sale of the state aluminium complex is at the "low end" but insists the country will benefit through long-term investments in the industry. "It's a more realistic and attractive price, one that reflects the state of the company," said Pedro Carmona, chief consultant to the government's privatisation agency, FIV. A previous attempt to sell the Venezuelan Aluminium Corporation failed in March after three international consortia withdrew successively over the contractual terms and a base price of $2.1bn.

The government has now revised some of the terms, including labour and electricity costs. Yet the winning bidder is still required to invest $500m towards the plant's modernisation and environmental clean-up, albeit over a longer period. The corporation is also saddled with debt of $1.25bn.

Two international consortia have qualified to bid for a 70 per cent stake in the 630,000 tonnes a year complex, one of the world's largest. The remaining shares will be sold to employees and domestic aluminium processing companies. **Raymond Colitt, Caracas**

ROYAL DUTCH/SHELL

Brussels approves Exxon link

The European Commission has given its conditional approval to a proposal from Royal Dutch/Shell, the Anglo-Dutch group, and Exxon, to put their lubricant and fuel additives businesses into a joint venture. The Commission said Exxon would have to sell most of its "viscosity index improver" business to rival Chevron in order for the proposed link-up with Shell to be in line with EU competition rules. **Robert Corzine**

PHARMACEUTICALS

Abbott advance surprises

Abbott Laboratories, the Chicago-based pharmaceuticals and medical equipment company, yesterday reported second-quarter earnings a shade higher than most analysts had expected, despite the impact of the relatively strong US dollar. The group said that it made after-tax profits of $586m in the quarter to end-June, up from $522m a year earlier. Earnings per share rose by just over 15 per cent, to 38 cents. Analysts forecasts' had averaged about 37 cents, according to the First Call research firm.

The overall sales total rose to $3.07bn, up 5.7 per cent year-on-year – although Abbott said sales would have been up by 9 per cent but for foreign exchange movements. The strongest growth came on the hospital and laboratory products division, where there was a 9 per cent sales rise to $1.33bn and an underlying rise of 12.4 per cent without exchange rate factors. On the pharmaceuticals side, sales were up by 3.5 per cent, to $1.73bn.

The second-quarter results left Abbott reporting after-tax profits of $1.17bn in the first half of 1998, up from last time's $1.06bn. **Nikki Tait, Chicago**

INVESTMENT BANKING

Deutsche keen to replace team

Deutsche Bank has made the replacement of the US technology specialist team which defected last week to Credit Suisse First Boston a high priority. One reason for urgency is the need to retain the loyalty of Deutsche's European technology team which turned down the chance to join Frank Quattrone and some 70 colleagues in the move to CSFB.

The German bank, however, is not believed to have any specific deals close to fruition. Moreover, its desire for a quick solution strengthens the bargaining position of potential recruits or acquisition targets.

Michael Philipp, worldwide head of equities, has sounded a note of desperation in a conference call intended to boost morale. According to the Bloomberg news agency, he told US staff the Quattrone team's departure had left a "gaping hole", adding: "If we don't do anything, we're sitting here dead in the water." **Clay Harris, Banking Correspondent**

ENERGY

Enron consortium wins project

A consortium led by Enron, the US energy company, won a $640m contract to expand a natural gas project in eastern Venezuela. The group is to build, own, and operate two gas extraction plants with a total capacity of 800m cu ft per day. "With this tender we are opening Venezuela's gas sector [to private investment]," said Nelson Borjas, vice-president of PDV Gas, a subsidiary of state oil company PDVSA.

Enron's partners in the consortium are Acoro Barbados, a subsidiary of TransCanada Pipelines, and Venezuela's Tecnoconsult. The companies said the stake each will hold is yet to be defined. The operation is scheduled to begin in 2001, after which PDV Gas will pay the consortium a production fee over 20 years. **Raymond Colitt**

Comments and press releases about international companies coverage can be sent by e-mail to international.companies@ft.com

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Plagued by Vietnam's heartbreak hotels

Foreign developers are feeling the consequences of over-ambition, writes **Jonathan Birchall**

Last November, the new, 299-room Sheraton hotel in Hanoi, the Vietnamese capital, was preparing to welcome its first guests. 300 staff had been recruited, and the kitchens had served practice meals under the watchful eye of the general manager.

Now, just over six months later, the staff has gone, the phones have been cut off, and the 18-storey building stands empty.

"They've run out of money," said a cab driver by the closed hotel gate. Even before it was completed or occupied, the Hanoi Sheraton is up for sale, along with other hotels in Malaysia and South Africa owned by Faber Group, a division of the troubled Renong conglomerate.

Meanwhile, at an adjacent site, work has all but stopped on the Lien Westlake Hotel, a low-rise, 400-room development backed by Sonnie Lien, the Singaporean private investor, and Malaysia's Pernas Holdings. According to Emile Thai, the project's general manager, the building is 80-85 per cent complete, but there is no firm opening date.

"Judging from the economic crisis in Asia and the business climate here in Vietnam, we are definitely not planning to open this year," says Mr Thai. "Maybe in the first or second quarter of next year."

Over the past six months, Vietnam's hotel sector has become a monument to the over-ambition of investors who came to the country in the early 1990s. Add in the effects of the regional economic crisis, and Hanoi has turned into an hotel developers' Armageddon.

Five years ago, the city had only one luxury hotel, the Sofitel Metropole. Foreign business people, flocking to a country billed as the next Asian tiger, found themselves paying up to $100 a night for a room in a guest house run by the Vietnamese army. Subsequently, Asian investors poured more than $400m into almost a dozen luxury hotel developments in the capital.

Hanoi now has four luxury hotels, two of them completed in the past nine months, with more than 1,200 rooms. Apart from the Sheraton and the Lien Westlake, three hotels were heading for completion this year, including the 260-room, Japanese-backed Hotel Nikko Hotel, and the 300-room Hanoi Hilton, backed by French investors.

The Asian crisis, meanwhile, has produced a sharp drop in the number of visitors in an oversupplied market. In the first six months of the year, tourist and business arrivals in Hanoi and Ho Chi Minh City dropped 10 per cent on the previous year, to about 800,000 people.

With occupancy rates as low as 15-20 per cent at some of the newer hotels, and room rates heavily discounted, hotels are struggling to meet operating costs. At the 411-room Daewoo Hotel, which opened in early 1997, expatriate staff has been cut reduced and staff lighting and air-conditioning reduced to save money.

Apart from the Faber Group, other Asian investors are under pressure. Daewoo is facing restructuring in Korea, raising questions about its readiness to maintain its investment in its Hanoi hotel. There are similar questions about Indonesia's Ciputra and PT Metropolitan Groups, both investors in the $58m Horison Hotel, which opened in November, and about the future of the unfinished, $70m Centre Hotel in the centre of Hanoi, built by Thailand's SAS Trading Company.

Sources close to the Faber Group's Sheraton project say the contractor, Hong Kong-based Gammon International, is still owed money and that about $10m is needed to complete the development. A new owner of the West Lake site would also have to work with Faber's existing local partner, Ho Tay Corporation, an investment arm of the ruling Vietnamese communist party.

Outside Hanoi there are similar difficulties. In Ho Chi Minh City, a planned Grand Imperial Hyatt remains half-finished – evidence of the problems affecting the principal Malaysian investor, Pengkalen Holdings. The opening of the city's new Saigon Marriot Hotel, backed by Japan's Kotobuki Holdings and 90 per cent completed, has been indefinitely delayed.

Meanwhile, James Lang Wooton, the property consultants, and Host Marriott Corporation, of the US, have formed a Singapore-based joint venture which they say is seeking "a unique opportunity to acquire quality hotels in Asia at significant discounts to replacement costs". Vietnam will be included in it's brief.

However, according to Malcolm Kerr, of the Hong Kong-based Kaplan Consulting Group, new investors will be wary of Vietnam's reputation as a difficult place to do business, while hotel bargains are becoming available elsewhere.

"People will be looking for countries where there has been significant depreciation of assets, and where the legal position on ownership is clear," he says.

Unfinished business: the country's hotel sector has turned into a developers' Armageddon Panos

O&M and Singleton form link

Ogilvy & Mather Worldwide, part of WPP Group, and Singleton Group, a leading Australian advertising agency, are merging their advertising operations in Australia and New Zealand, writes **Russell Baker in Sydney.**

Singleton, Ogilvy & Mather Holdings will be two-thirds owned by the Australian-listed group and one-third by Ogilvy.

John Singleton, chief executive of Singleton, said he had been exploring affiliations with international agency groups and Ogilvy represented "an excellent fit with our client base, our size and philosophies".

He added: "The combination of our Australian-ness and Ogilvy's established international network gives us a unique position in Australian advertising."

Geoff Wild, chairman and chief executive of Ogilvy, said the merger accorded with his group's objective "of being in the top five agencies in every country in which we operate".

Order of Court

IN THE HIGH COURT OF SOUTH AFRICA Case number 98/14903
(WITWATERSRAND LOCAL DIVISION)
JOHANNESBURG, 29 JUNE 1998
in the *ex parte* application –
CONSOLIDATED METALLURGICAL INDUSTRIES LIMITED **Applicant**
(Incorporated in the Republic of South Africa) (Registration number 75/00230/06)
("CMI" or "the Applicant")

Upon the motion of counsel for the Applicant, and upon reading the notice of motion and other documents filed of record -

IT IS ORDERED THAT –

1. A meeting (the "Scheme Meeting") be convened in terms of section 311(1) of the Companies Act, 1973 (Act 61 of 1973), as amended ("the Act"), of the holders of the 10% cumulative convertible preference shares of 105 cents each of the Applicant registered as such at the close of business on the day (excluding Saturdays, Sundays and public holidays) immediately preceding the date of the Scheme Meeting, other than Südelektra South African Holdings (Proprietary) Limited ("Südelektra") ("the Scheme Members"), by the chairman mentioned in paragraph 2 of this Order, to be held at 09:30 (or so soon thereafter as the Scheme of Arrangement in terms of Section 311 of the Act proposed by Südelektra between CMI and its ordinary shareholders, other than Südelektra, to be held at 09:00 on Tuesday, 28 July 1998, shall have been concluded or adjourned) on Tuesday, 28 July 1998 at the Applicant's registered office, Consolidated Building, Corner Fox and Harrison Streets, Johannesburg, 2001, *for the purpose* of considering and, if deemed fit, approving, with or without modification, the Scheme of Arrangement dated 6 July 1998 ("the Scheme"), between the Applicant and the Scheme Members as contained in annexure C to the Founding Affidavit.
2. Charles Leonard Valkin, a director of attorneys Bowman Gilfillan Hayman Godfrey Incorporated (or, failing him, such other independent attorney or advocate nominated by Werksmans), be and is hereby appointed as chairman of the Scheme Meeting with authority to -
   - 2.1 appoint scrutineers for the purpose of the Scheme Meeting;
   - 2.2 determine the validity and acceptability of forms of proxy submitted for the Scheme Meeting;
   - 2.3 adjourn the Scheme Meeting from time to time if he considers it is necessary to do so; and
   - 2.4 determine the procedure to be followed at the Scheme Meeting and any adjournment thereof.
3. This Order of Court and a notice convening the Scheme Meeting will be published once in each of Business Day, Beeld, The Sunday Times, Business Report and the Government Gazette at least 2 (two) weeks before the date of the Scheme Meeting. The said notice shall state –
   - 3.1 the time, date and venue of the Scheme Meeting;
   - 3.2 that the Scheme Meeting has been summoned in terms of this Order to consider and, if deemed fit, approve with or without modification, the Scheme;
   - 3.3 that a copy of this Order and the terms of the Scheme may be inspected during normal business hours at any time prior to the Scheme Meeting at the registered office of the Applicant, being Consolidated Building, Corner Fox and Harrison Streets, Johannesburg, 2001 (PO Box 590, Johannesburg, 2000); and
   - 3.4 that a copy of this Order and the explanatory statement in terms of section 312(1) of the Act may be obtained upon request by any Scheme Member free of charge from the Applicant at the time and place mentioned in paragraph 3.3 of this Order.
4. Copies of –
   - 4.1 the notice convening the Scheme Meeting attached to the papers before the above Honourable Court, showing the time, date and place of the Scheme Meeting;
   - 4.2 the explanatory statement in terms of section 312(1) of the Act;
   - 4.3 the Scheme,
   - 4.4 this Order of Court; and
   - 4.5 the form of proxy in the form attached to the papers before the above Honourable Court,

   shall be sent by the Applicant by pre-paid registered post at least 2 (two) weeks before the date of the Scheme Meeting to each of the Scheme Members at the addresses as reflected in the register of shareholders of the Applicant not more than 4 (four) calendar days before the date of such posting.
5. A copy of -
   - 5.1 the Scheme and the explanatory statement in terms of section 312(1) of the Act substantially in the form of the explanatory statement and the Scheme attached to the papers before the above Honourable Court;
   - 5.2 the notice convening the Scheme Meeting substantially in the form of the notice attached to the papers before the above Honourable Court;
   - 5.3 a form of proxy in the form attached to the papers before the above Honourable Court; and
   - 5.4 this Order of Court,

   shall be for inspection and may be obtained free of charge at least 2 (two) weeks prior to the date of the Scheme Meeting during normal business hours at the abovementioned registered office of the Applicant.
6. The chairman of the Scheme Meeting shall report by way of an affidavit the results thereof to the above Honourable Court on Tuesday, 11 August 1998 at 10:00 or so soon thereafter as counsel may be heard.
7. The report required by the above Honourable Court from the chairman of the Scheme Meeting shall comply with the requirements of section FE of the Practice Manual of the above Honourable Court.
8. The chairman of the Scheme Meeting shall make available at the abovementioned registered office of the Applicant (and the notice of the Scheme Meeting which is published and sent to the shareholders of the Applicant shall include a statement that it will be so available) a copy of the chairman's report to the above Honourable Court, free of charge, to any Scheme Member on request, at least 1 (one) week prior to the date fixed by the above Honourable Court for the chairman to report back to it.
9. Any Scheme Member wishing to vote by proxy shall by not later than 09:30 on Monday, 27 July 1998, and at the abovementioned registered office of the Applicant, tender as his proxy the form of proxy in the form of the proxy referred to in paragraph 5.3 of this Order. In addition, forms of proxy may be handed to the chairman of the Scheme Meeting not later than 10 (ten) minutes before the Scheme Meeting is due to commence.
10. In the event of acceptance of the Scheme by Scheme Members and upon sanction thereof by this court, in addition to lodgement of form 15 in the second schedule to the Act, as is required by S.93, the Applicant is to lodge with the Registrar of Companies, within the time prescribed by S.93, an affidavit setting out that:
    - 10.1 the allotment and issue of the new CMI ordinary shares was in fact made to Südelektra, setting out the date of such allotment and issue together with a photocopy of the register in proof thereof, and
    - 10.2 the consideration payable therefor was paid in accordance with the requirements of S.92 before the allotment and issue of the said shares, setting out further the date of payment of such consideration.

BY ORDER OF THE COURT
REGISTRAR

Werksmans *Applicant's Attorney*
Werksmans Chambers West Wing, 22 Girton Road Parktown, 2193 (PO Box 927, Johannesburg, 2000)
Telephone: (011) 488 0000 Facsimile: (011) 484 3100 (Refer: Mr Ira Epstein)

Order of Court

IN THE HIGH COURT OF SOUTH AFRICA Case number 98/14905
(WITWATERSRAND LOCAL DIVISION)
JOHANNESBURG, 29 JUNE 1998
in the *ex parte* application –
CONSOLIDATED METALLURGICAL INDUSTRIES LIMITED **Applicant**
(Incorporated in the Republic of South Africa) (Registration number 75/00230/06)
("CMI" or "the Applicant")

Upon the motion of counsel for the Applicant, and upon reading the notice of motion and other documents filed of record -

IT IS ORDERED THAT –

1. A meeting (the "Scheme Meeting") be convened in terms of section 311(1) of the Companies Act, 1973 (Act 61 of 1973), as amended ("the Act"), of the holders of the ordinary shares of 105 cents each of the Applicant registered as such at the close of business on the day (excluding Saturdays, Sundays and public holidays) immediately preceding the date of the Scheme Meeting, other than Südelektra South African Holdings (Proprietary) Limited ("the Scheme Members"), by the chairman mentioned in paragraph 2 of this Order, to be held at 09:00 on Tuesday, 28 July 1998, at the Applicant's registered office, Consolidated Building, Corner Fox and Harrison Streets, Johannesburg, 2001, for the purpose of considering and, if deemed fit, approving, with or without modification, the Scheme of Arrangement dated 6 July 1998 ("the Scheme"), between the Applicant and the Scheme Members as contained in annexure C to the Founding Affidavit.
2. Charles Leonard Valkin, a director of attorneys Bowman Gilfillan Hayman Godfrey Incorporated (or, failing him, such other independent attorney or advocate nominated by Werksmans), be and is hereby appointed as chairman of the Scheme Meeting with authority to -
   - 2.1 appoint scrutineers for the purpose of the Scheme Meeting;
   - 2.2 determine the validity and acceptability of forms of proxy submitted for the Scheme Meeting;
   - 2.3 adjourn the Scheme Meeting from time to time if he considers it is necessary to do so; and
   - 2.4 determine the procedure to be followed at the Scheme Meeting and any adjournment thereof.
3. This Order of Court and a notice convening the Scheme Meeting will be published once in each of Business Day, Beeld, The Sunday Times, Business Report and the Government Gazette at least 2 (two) weeks before the date of the Scheme Meeting. The said notice shall state –
   - 3.1 the time, date and venue of the Scheme Meeting;
   - 3.2 that the Scheme Meeting has been summoned in terms of this Order to consider and, if deemed fit, approve with or without modification, the Scheme;
   - 3.3 that a copy of this Order and the terms of the Scheme may be inspected during normal business hours at any time prior to the Scheme Meeting at the registered office of the Applicant, being Consolidated Building, Corner Fox and Harrison Streets, Johannesburg, 2001 (PO Box 590, Johannesburg, 2000); and
   - 3.4 that a copy of this Order and the explanatory statement in terms of section 312(1) of the Act may be obtained upon request by any *Scheme Member free of charge from the Applicant at the time and place* mentioned in paragraph 3.3 of this Order.
4. Copies of –
   - 4.1 the notice convening the Scheme Meeting attached to the papers before the above Honourable Court, showing the time, date and place of the Scheme Meeting;
   - 4.2 the explanatory statement in terms of section 312(1) of the Act;
   - 4.3 the Scheme,
   - 4.4 this Order of Court; and
   - 4.5 the form of proxy in the form attached to the papers before the above Honourable Court,

   shall be sent by the Applicant by pre-paid registered post at least 2 (two) weeks before the date of the Scheme Meeting to each of the Scheme Members at the addresses as reflected in the register of shareholders of the Applicant not more than 4 (four) calendar days before the date of such posting.
5. A copy of -
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   - 5.2 the notice convening the Scheme Meeting substantially in the form of the notice attached to the papers before the above Honourable Court;
   - 5.3 a form of proxy in the form attached to the papers before the above Honourable Court; and
   - 5.4 this Order of Court,

   shall be for inspection and may be obtained free of charge at least 2 (two) weeks prior to the date of the Scheme Meeting during normal business hours at the abovementioned registered office of the Applicant.
6. The chairman of the Scheme Meeting shall report by way of an affidavit the results thereof to the above Honourable Court on Tuesday, 11 August 1998 at 10:00 or so soon thereafter as counsel may be heard.
7. The report required by the above Honourable Court from the chairman of the Scheme Meeting shall comply with the requirements of section FE of the Practice Manual of the above Honourable Court.
8. The chairman of the Scheme Meeting shall make available at the abovementioned registered office of the Applicant (and the notice of the Scheme Meeting which is published and sent to the shareholders of the Applicant shall include a statement that it will be so available) a copy of the chairman's report to the above Honourable Court, free of charge, to any Scheme Member on request, at least 1 (one) week prior to the date fixed by the above Honourable Court for the chairman to report back to it.
9. Any Scheme Member wishing to vote by proxy shall by not later than 09:00 on Monday, 27 July 1998, and at the abovementioned registered office of the Applicant, tender as his proxy the form of proxy in the form of the proxy referred to in paragraph 5.3 of this Order. In addition, forms of proxy may be handed to the chairman of the Scheme Meeting not later than 10 (ten) minutes before the Scheme Meeting is due to commence.
10. In the event of acceptance of the Scheme by Scheme Members and upon sanction thereof by this court, in addition to lodgement of form 15 in the second schedule to the Act, as is required by S.93, the Applicant is to lodge with the Registrar of Companies, within the time prescribed by S.93, an affidavit setting out that:
    - 10.1 the allotment and issue of the new CMI ordinary shares was in fact made to Südelektra, setting out the date of such allotment and issue together with a photocopy of the register in proof thereof, and
    - 10.2 the consideration payable therefor was paid in accordance with the requirements of S.92 before the allotment and issue of the said shares, setting out further the date of payment of such consideration.

BY ORDER OF THE COURT
REGISTRAR

Werksmans *Applicant's Attorney*
Werksmans Chambers West Wing, 22 Girton Road Parktown, 2193 (PO Box 927, Johannesburg, 2000)
Telephone: (011) 488 0000 Facsimile: (011) 484 3100 (Refer: Mr Ira Epstein)

Notice of Preference Scheme Meeting

IN THE HIGH COURT OF SOUTH AFRICA Case number 98/14903
(WITWATERSRAND LOCAL DIVISION)
JOHANNESBURG, 29 JUNE 1998
in the *ex parte* application –
CONSOLIDATED METALLURGICAL INDUSTRIES LIMITED **Applicant**
(Registration number 75/00230/06) (Incorporated in the Republic of South Africa)
("CMI" or "the Applicant")

Notice is hereby given that in terms of an Order of Court dated Monday, 29 June 1998 in the above matter, the High Court of South Africa (Witwatersrand Local Division) ("the Court") has ordered, in accordance with the provisions of section 311 of the Companies Act, 1973 (Act 61 of 1973), as amended ("the Act"), that the meeting described below ("the Scheme Meeting") be convened under the chairmanship of Charles Leonard Valkin, a director of attorneys Bowman Gilfillan Hayman Godfrey Incorporated (or, failing him, such other independent attorney or advocate nominated by Werksmans), for the purpose as described below.

In terms of the said Order of Court, a meeting of the holders of the 10% cumulative convertible preference shares of 105 cents each of the Applicant other than Südelektra South African Holdings (Proprietary) Limited ("Südelektra") ("the Scheme Members") will be held at 09:30 (or so soon thereafter as the scheme of arrangement in terms of section 311 of the Act proposed by Südelektra between CMI and its ordinary shareholders, other than Südelektra, to be held at 09:00 on Tuesday, 28 July 1998, shall have been concluded or adjourned) on Tuesday, 28 July 1998 at CMI's registered office, Consolidated Building, corner Fox and Harrison Streets, Johannesburg, 2001, *for the purpose of considering and, if deemed fit, approving with or without* modification, the scheme of arrangement dated 6 July 1998 ("the Scheme") proposed by Südelektra between the Applicant and the Scheme Members.

The basic characteristic of the Scheme is that, subject to the fulfilment of certain conditions precedent which are stated in paragraph 5 of the Scheme, Südelektra will effectively acquire all of the preference shares of Scheme Members who are registered members of CMI on Friday, 14 August 1998 for a cash consideration of 1 620 cents per share.

A copy of the Scheme and the explanatory statement in terms of section 312(1) of the Act, explaining the Scheme, as well as the Order of Court authorising the convening of the Scheme Meeting has been sent to Scheme Members and copies may, on request by any Scheme Members during normal business hours, at any time prior to the Scheme Meeting, be inspected at or obtained free of charge from the registered office of the Applicant, Consolidated Building, Corner Fox and Harrison Street, Johannesburg, 2001.

Each of the Scheme Members registered as such at the close of business on Monday, 27 July 1998 may attend, speak and vote in person at the Scheme Meeting or may appoint any other person or persons (who need not be Scheme Members) as a proxy to attend, speak and vote in such Scheme Member's place.

The necessary form of proxy has been sent to Scheme Members. Additional forms of proxy may be obtained on request from the Applicant's abovementioned registered office.

Each signed form of proxy must be lodged with or posted to the Applicant's registered office, Consolidated Building, Corner Fox and Harrison Streets, Johannesburg, 2001 (PO Box 590, Johannesburg, 2000) to be received not later than 09:30 on Monday, 27 July 1998 or handed to the chairman of the Scheme Meeting not later than 10 (ten) minutes before the time for which the Scheme Meeting is convened on Tuesday, 28 July 1998.

Where there are joint holders of any of the applicant's Preference Shares, any one of such persons may vote at the Scheme Meeting in respect of such shares as if he was solely entitled thereto, but if more than one of such joint holders is present or represented at the Scheme Meeting, that one of the said persons whose name stands first on the register in respect of such shares or his proxy, as the case may be, shall alone be entitled to vote in respect thereof, as if he were the sole holder of such shares.

In terms of the Order of Court dated Monday, 29 June 1998, the chairman of the Scheme Meeting will report the results thereof to the Court at 10:00 on Tuesday, 11 August 1998 or so soon thereafter as counsel may be heard. A copy of the chairman's report to the Court will be available (free of charge) to any shareholder at the abovementioned registered office of the Applicant during normal business hours at least one week before the date fixed by the Court for the chairman to report back to it.

Chairman of the Scheme Meeting
CHARLES LEONARD VALKIN

Werksmans *Applicant's Attorney*
Werksmans Chambers West Wing, 22 Girton Road Parktown, 2193
(PO Box 927, Johannesburg, 2000)
Telephone: (011) 488 0000 Facsimile: (011) 484 3100 (Refer: Mr Ira Epstein)

Notice of Ordinary Scheme Meeting

IN THE HIGH COURT OF SOUTH AFRICA Case number 98/14905
(WITWATERSRAND LOCAL DIVISION)
JOHANNESBURG, 29 JUNE 1998
in the *ex parte* application –
CONSOLIDATED METALLURGICAL INDUSTRIES LIMITED **Applicant**
(Registration number 75/00230/06) (Incorporated in the Republic of South Africa)
("CMI" or "the Applicant")

Notice is hereby given that in terms of an Order of Court dated Monday, 29 June 1998 in the above matter, the High Court of South Africa (Witwatersrand Local Division) ("the Court") has ordered, in accordance with the provisions of section 311 of the Companies Act, 1973 (Act 61 of 1973), as amended ("the Act"), that the meeting described below ("the Scheme Meeting") be convened under the chairmanship of Charles Leonard Valkin, a director of attorneys Bowman Gilfillan Hayman Godfrey Incorporated (or, failing him, such other independent attorney or advocate nominated by Werksmans), for the purpose as described below.

In terms of the said Order of Court, a meeting of the holders of the ordinary shares of 105 cents each of the Applicant other than Südelektra South African Holdings (Proprietary) Limited ("Südelektra") ("the Scheme Members") will be held at 09:00 on Tuesday, 28 July 1998 at CMI's registered office, Consolidated Building, Corner Fox and Harrison Streets, Johannesburg, 2001, for the purpose of considering and, if deemed fit, approving with or without modification, the scheme of arrangement dated 6 July 1998 ("the Scheme") proposed by Südelektra between the Applicant and the Scheme Members.

The basic characteristic of the Scheme is that, subject to the fulfilment of certain conditions precedent which are stated in paragraph 5 of the Scheme, Südelektra will effectively acquire all of the ordinary shares of Scheme Members who are registered members of CMI on Friday, 14 August 1998 for a cash consideration of 1 550 cents per share.

A copy of the Scheme and the explanatory statement in terms of section 312(1) of the Act, explaining the Scheme, as well as the *Order of Court authorising the convening of the Scheme Meeting has been sent to Scheme Members and copies may, on request* by any Scheme Member, during normal business hours, at any time prior to the Scheme Meeting, be inspected at or obtained free of charge from the registered office of the Applicant, Consolidated Building, Corner Fox and Harrison Streets, Johannesburg, 2001.

Each of the Scheme Members registered as such at the close of business on Monday, 27 July 1998 may attend, speak and vote in person at the Scheme Meeting or may appoint any other person or persons (who need not be Scheme Members) as a proxy to attend, speak and vote in such Scheme Member's place.

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Where there are joint holders of any of the applicant's ordinary shares, any one of such persons may vote at the Scheme Meeting in respect of such shares as if he was solely entitled thereto, but if more than one of such joint holders is present or represented at the Scheme Meeting, that one of the said persons whose name stands first on the register in respect of such shares or his proxy, as the case may be, shall alone be entitled to vote in respect thereof, as if he were the sole holder of such shares.

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Telephone: (011) 488 0000 Facsimile: (011) 484 3100 (Refer: Mr Ira Epstein)

Somerfield plans investment of $1.64bn

By Peggy Hollinger

Somerfield, the supermarket group which recently took over the struggling Kwik Save discount chain, yesterday announced a £1bn ($1.64bn) investment programme.

It said it planned to create 5,000 jobs as it posted a 12 per cent rise in underlying pre-tax profits.

David Simons, chief executive, said the sharp declines suffered by Kwik Save before the merger in March had been stabilised and the Somerfield stores were returning above average sales growth for the industry.

Analysts were broadly pleased with the results, and some nudged up this year's profit expectations for the combined group from about £190m to about £200m.

However, the task of merging two disparate businesses with a combined total of about 1,400 stores remained fraught with risk, they said. "They are still in the foothills on this one," said one analyst. "They have not even begun scaling the rock-face."

In addition, said another analyst, about 60 per cent of the business was showing underlying sales declines.

Mr Simons said the group would convert 62 Kwik Save stores to the Somerfield brand. But the real conversion programme would begin in earnest next year.

Conversions would account for most of the £1bn that Somerfield planned to invest over the next four to five years. Mr Simons said the group had "absolutely no intention" of seeking funding from shareholders for the investment.

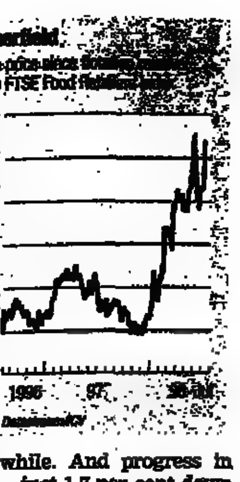
Mr Simons said he was pleased with Somerfield's performance. In the first 10 weeks of the financial year, Somerfield stores had increased comparable sales by 3.9 per cent. However, Kwik Save suffered a 1.7 per cent decline, while the group's Food Giant discount chain and its Gateway stores also continued to show falling sales.

Pre-tax profits, excluding the 36 day contribution from Kwik Save and after adjustments for exceptional occurrences, rose from £101.6m to £114.2m, on sales 0.2 per cent higher at £3.2bn.

Kwik Save contributed £277.9m of sales and £7.6m in pre-tax profits since merger. Mr Simons said there were about £1m of exceptional gains, which had flattered Kwik Save's contribution.

COMMENT

Somerfield



The squeezing of UK high street food retailers has been a business school classic for so long, it is easy to forget it still goes on. Ground down by out-of-town megastores on one side and bargain-basement discounters on the other, Somerfield has suffered from stagnant sales spread thinly over an expanding cost base. Offering fresh produce during longer hours, and throwing in free home-delivery, does not come cheap. Buying the Kwik Save discount chain will clearly provide some reprieve: crunching out £50m-plus costs should hold margins for a while. And progress in arresting Kwik Save's sales decline – just 1.7 per cent down in the first 10 weeks this year from 3 per cent last year – will help too. But this does not justify the shares' 75 per cent outperformance since January.

Somerfield's strategy for top-line growth is questionable. Any competitive advantage in home shopping and petrol forecourt sites is hard to spot. And converting Kwik Save stores to the Somerfield format must be delicately handled. Duplicating marketing budgets is a necessary evil. But brand confusion may occur anyway from intermingling the two chains' own-label products.

The risk of losing Kwik Save customers unwilling to accept Somerfield's mark-up should not be underestimated either.

Windfall profits

Labour's green paper on utility regulation, already watered down, looks thankfully like being stripped of the one Old Labour fig-leaf it contained. The attempt to channel windfall profits towards consumers via a new "correction mechanism" *was wrong-headed. Profits do not* fall into neat categories. A utility may benefit from lower input prices, but some managements may be quicker than others to spot the trend and lock into future contracts at keener prices. Where does management skill stop and luck start?

Another glaring problem with the proposal was its asymmetry. There can be freak losses as well as freak profits, but the government would hardly expect customers to suffer for the former. Existing regulation makes a fair fist of ensuring utilities pass on savings via price cuts. If regulators get hoodwinked, they already have the power to spring a surprise price review on their charges.

Aberdeen bid could prompt asset raids

By Jean Eaglesham

Aberdeen Preferred Income Trust's hostile bid yesterday for most of rival Scottish National Trust's £600m ($990m) in assets could set off a flurry of poaching raids in the investment trust sector. "We will see a lot more of this happening as other funds pitch in," said one analyst.

There has been considerable takeover activity in the £60bn investment trust sector in recent years, triggered by the deep discounts on many trust shares relative to the underlying value of their assets. But the discounts also meant that takeover bids by investment trusts for other trusts have been rare.

Aberdeen Preferred is able to buck the trend because its shares are trading at a premium of more than 20 per cent to underlying assets. It, and Scottish National, are part of a £7bn band of so-called split capital trusts – a type of trust invented in the 1960s that offers different classes of shares which give investors exaggerated exposure to either income or capital growth.

This geared structure means the trusts have done well on the back of the strong UK stock market run.

The potential for bids is enhanced by the fact that 10 split cap trusts, including the biggest one, Scottish National, are due to wind up before the end of next year.

Aberdeen Preferred is bidding for up to £400m of Scottish National's assets when the trust winds up in September. It is is unlikely to be the sole bidder.

Cox joins agents' push for control

By Christopher Adams

Cox Insurance, the specialist Lloyd's of London group, has joined the push by leading underwriting agents to acquire control of the businesses they manage. It is raising £65m ($107m) to buy from Names their right to back three Cox syndicates.

The offer comes ahead of next week's annual auctions at Lloyd's, which allow Names, the individuals whose wealth has traditionally backed the insurance market, to realise value on their participation. It follows similar offers by Wellington Underwriting and Goshawk Insurance.

Cox said it would fund the purchase of £162.5m of syndicate capacity through a 2-for-13 rights issue at 400p. A maximum of £39.9m of the proceeds will be used to buy the capacity, with the rest being used to meet Lloyd's funding requirements.

The offers to Names for capacity on the three syndicates it manages show that the value placed on participation at Lloyd's is rising quickly.

The group is prepared to pay 50p per £1 of capacity on a highly profitable syndicate, number 1176, which specialises in the insurance of nuclear power stations – 25 per cent more than it offered last year.

Offers of 20p per £1 of capacity on a motor insurance syndicate, number 218, and 22p for a broader-based syndicate, number 1485 – writing marine, aviation and non-marine business – represent premiums of 54 per cent and 47 per cent respectively over offers in 1997.

There are share alternatives of 56p, 22.4p and 24.6p for the syndicates per £1 of capacity.

Unusually, the group has sought the support of members' agents, who advise Names on their affairs at Lloyd's, for its offers. It said member's agents handling £89.8m, or 55 per cent of the capacity, were supportive.

From the notoriety of near-collapse to hot target

As Queens Moat shares triple in value, Scheherazade Daneshkhu looks at takeover fever in the hotel industry

Queens Moat Houses has long struggled with the notoriety it earned from its near-collapse under a mountain of debt in the early 1990s. But a gradual improvement in its finances over the past couple of years has attracted the attention of potential bidders, including investment banks and US trade buyers.

The company is now the subject of "serious interest" according to some consultants – speculative interest in the shares has helped to triple their value since the beginning of the year.

The takeover speculation buoying Queens Moat shares has been rampant throughout the hotel industry over the past year. Expectations of consolidation have driven the process with US investors, including real estate investment trusts (reits), among the most frequently cited potential acquirers.

Vaux, the brewing group, has had offers for its Swallow hotels and Thistle, the UK's second largest hotel operator, is in talks. Some groups, such as Stakis and Ladbroke, are seen both as potential predators and takeover targets. Despite a slowdown in room price growth, prices for hotel assets continue to rise in a manner reminiscent of the top of the previous hotel cycle.

The £230m purchase this *year of the Savoy Hotel* group by Blackstone Hotel Acquisitions, a company controlled by Blackstone and Colony Capital, two US-based investment groups, represented £735,000 a room – setting a new record for prestige London hotels.

Cliveden, another luxury hotel group, is being bought by Destination Europe, a consortium of US investors which includes Bill Gates, head of Microsoft, the computer company, for £465,000 a room.

On the face of it, Queens Moat, a three and four-star hotel group, does not look an obvious target. The company teetered on the brink of collapse after the last recession in the early 1990s and its shares were suspended for more than two years before being relisted in 1995 after a *financial restructuring.*

Queens Moat still has heavy borrowings – net debt stood at £611m at the end of December. It is also embroiled in a legal battle with four former directors who claim they were wrongfully dismissed.

But Mark Finnie, leisure analyst at BT Alex.Brown, whose decision to tip the shares as a strong buy in February has contributed to their rise, believes the company is an important – but forgotten – industry force.

In its favour, trading has been unexpectedly good, helped by the continuing strength of the UK hotel sector, where it makes two-thirds of its profits. Operating profits rose over the past two years from £44.7m in 1995 to £57.3m last year.

The debt situation, while still unappealing, has become more manageable. Net liabilities, which once stood at £449m, have fallen to £76m. But Queens Moat has £98m of convertible debt which would wipe out its net liabilities if it was converted into equity. But the debt burden will increase next year when the interest rate holiday on £267m of junior term debt ends and another tranche of senior term debt – £50m – has to be repaid.

These payments are expected to be partially met through the sale of hotels in France, Belgium and Germany. However, a refinancing looks almost inevitable, *and is likely to include debt* instruments as well as an equity issue.

Queens Moat's main appeal to a potential bidder is likely to be its exposure to Europe. Outside the UK, most of its hotels are in the Netherlands, where trading continues to improve, and in Germany, which is still a difficult market and where the group has some hotels it hopes to sell. Last year it sold 25 UK hotels – one-third of its UK portfolio – for £91.5m to Hambro European Ventures, since renamed Duke Street Capital.

Although some analysts believe the company's weak branding is a drawback others argue this could increase its appeal to branded groups wishing to add hotels to their own portfolios.

The company has admitted it faces an ongoing struggle making the necessary investment in its hotels, but capital expenditure as a proportion of turnover – 9 per cent last year – has been in line with its competitors.

Queens Moat's shares, which have drifted from a recent high this year of 43¾p closed yesterday at 36¾p.

The shares are on a multiple of 10.5 times this year's forecast earnings before interest, tax and depreciation – cheaper than most competitors. That makes them look relatively good value – albeit in an arguably overpriced market – for a bidder willing to tackle the complications of Queens Moat's £611m debt mountain and take a punt on the European hotel cycle.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Bensons Crisps	6 mths to May 31	17.8	(16)	0.811	(0.615)	1.2	(1.1)	0.5	Oct 1	0.375	-	1.575
Firth Holdings	Yr to Mar 31	51.1	(41.8)	1.01	(1.72)	1.07†	(2.17)	0.3	-	0.25	0.3	0.25
Gall Thomson ф	Yr to Mar 31	6.26	(5.81)	2.74	(2.07)	6.2†	(4.4)	1.5	Aug 5	1.25	1.5	1.25
Matrix Healthcare ф	6 mths to Mar 31	1.45	(0.767)	0.285L♠	(0.083)	13.2L	(2.8)	nil	-	nil	3	6
New London Capital	Yr to Mar 31	165.2■	(141.4■)	8.46	(6.53)	9.15	(8.8)	5	Sept 25	5	7	5
Ransom (William)	Yr to Mar 31	9.98	(10.6)	1.65♥	(1.13)	8.16	(4.83)	1.79	Oct 1	1.58	2.68	2.528
Somerfield	Yr to Apr 25	3,484	(3,201)	11.1L♠	(105.4)	3.6L†	(29.4)	7.6	Oct 2	6.8	11.4	10.2

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Aberforth Split	Yr to June 30	393.5	(348.8)	3.98	(3.82)	12.84	(11.67)	4.8	Sept 4	4	12.25	10.75

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. фAim stock. ■Gross premiums.

Greenbank plans £42m cashback

By Leyla Boulton

Shares in Walker Greenbank jumped 15 per cent yesterday, after the wallpaper and fabrics group announced it was returning £42m ($69m) to shareholders from the £70m sale of its commercial wallcoverings business.

The company, which announced the disposal in April as part of a strategic decision to focus on the luxury fabrics and wallpaper market, said it had drawn up a "shortlist" of companies it was interested in buying with the rest of the money.

Charles Wightman, chief executive, said the companies he was eyeing were either privately-held or owned by much larger quoted companies.

He said the decision to *give cash to shareholders* struck "the right balance between a return of value to shareholders and the retention of sufficient funds to develop the business by acquisition".

Walker Greenbank proposes to hand the money back through the issue and repurchase of B preference shares, representing 47 per cent of its market capitalisation. Its ordinary shares gained 9¾p to 74p.

Jeremy Hilditch, analyst at Williams de Broë, said the only surprise was that the company was returning "such a big slug" to shareholders. But he believed it was motivated by a possible shortage of suitable acquisition candidates and a desire to keep institutional shareholders on board.

NEWS DIGEST

TRANSPORT

Arriva in talks to increase presence in Netherlands

Arriva, the transport group that last month issued a profits warning, is in talks to buy VSN-North, a Dutch bus operator. VSN-North runs services in five Dutch provinces, and has an annual turnover of about £100m ($165m). It has 750 buses and 800 vehicles for disabled travellers, and employs about 3,500 people. Analysts estimate it could cost about £40m.

The deal would significantly expand Arriva's presence in the Netherlands, where the government intends to introduce competition into regional bus and rail operations by 2000. The group's Dutch subsidiary operates municipal bus services in Maastricht, Flevoland and Groningen and has turnover of £15m. It will finance the acquisition from its own resources.

News of the talks received a muted response. Analysts said investors wanted to hear more about Arriva's plan to spin off its car leasing division, announced last month with the profits warning. Profits at the leasing division are expected to be lower this year and Arriva has appointed NM Rothschild to examine its options. The group said the process had just started and it was too early to say whether it would sell or demerge the division. **Jonathan Ford**

CHEMICALS

Brent to focus on surface coatings

Brent International, the chemicals company, is to dispose of more than half its operations to focus on surface coatings, its most profitable business. The company has decided to sell its packaging-related inks and coatings and imaging management businesses. Analysts estimate the divisions, which last year accounted for £76.9m of sales of £134m, will raise £60m-£70m.

Brent also warned that trading in the second quarter had been hit by the strong pound and by "economic conditions" in the UK manufacturing sector. The imaging business had been affected most and was trading at levels below those achieved in 1997. However, news of the reorganisation lifted the shares. They rose 13p to 116½p.

Keith Hutchings, chief executive, said the company aimed to use the proceeds to expand in continental Europe and North America and was in discussions on possible acquisitions. **Virginia Marsh**

ELECTRONICS

Critchley warns of slowdown

Critchley, *the maker of high-technology labels* and electronic components, warned yesterday that the strong pound and subdued demand from the telecommunications industry threatened to slow profits growth. Ian McCullum, chief executive, said demand for components from European telecommunications companies had slowed since Deutsche Telekom completed its modernisation programme several months ago. Warburg Dillon Read, its broker, cut the full-year forecast from £11.5m to £10m. The shares fell 87½p to 762½p.

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EURO PRICES

EQUITIES

European bulls pull in horns

EUROPEAN OVERVIEW

By Philip Coggan, Markets Editor

The record-breaking run of European stock markets finally came to a halt yesterday as a poor international background proved too much for the bulls to overcome.

A profits warning from DuPont, the giant chemicals group, sent Wall Street lower when New York started trading and took the shine off another strong opening performance from Europe.

Amsterdam, Frankfurt, Paris, Stockholm and Zurich had all moved into unknown territory in early trading, shrugging off worries about Russian President Yeltsin's health and some frustration at the lack of consistency and detail in Japanese statements on tax policy. The yen slipped again ahead of the weekend upper house elections.

The Bundesbank, like the Bank of England, decided to leave rates unchanged, but in the German bank's case this was no surprise for the markets.

Core European bond markets were generally higher, with some safe-haven buying of German bunds in the wake of the Russian jitters.

But when Wall Street opened lower, even the strength of the US dollar, which traded around DM1.83, failed to prevent a slide in share prices. The FTSE Eurotop 100 index fell 14.96 to 2,983.7 while the broader Eurotop 300 dropped 5.02 or 0.4 per cent to 1,290.46.

The FTSE Ebloc 100 index, comprising stocks in countries which will adopt the euro in the first wave, slipped 3.64 to 1,086.36.

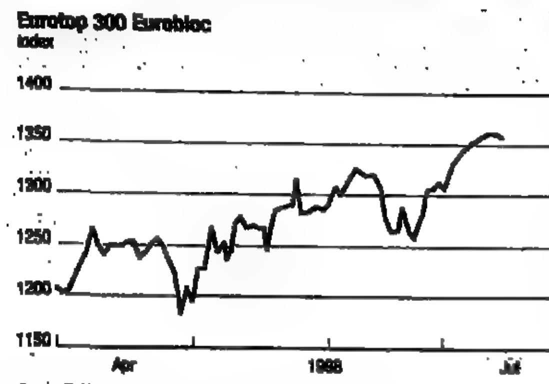
The construction sector managed to rise against the trend, gaining 1.4 per cent on the day. Gas distribution was the day's worst-performing sector, as BG, the British gas group, retraced some of its recent gains.

Other sectors to fall by more than 2 per cent were information technology and household goods and textiles.

The financial sector was the only one of the major industry groups to be stronger on the day, gaining 0.5 per cent. All of its components, except property, moved ahead.

German insurance giant Allianz and Dresdner Bank were linked in merger rumours.

Eurotop 300 Eurobloc



Source: FTSE International

■ THREE MONTH EURO FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.870	95.905	+0.035	95.905	95.870	591	15864
Dec	96.100	96.115	+0.010	96.115	96.100	106	7343
Mar	-	96.080	-	-	-	0	4720
Jun	-	95.955	-	-	-	0	1830

■ THREE MONTH EURO OPTIONS (LIFFE) Ecu1m points of 100%

Strike Price	CALLS Jul	Aug	Sep	Dec	PUTS Jul	Aug	Sep	Dec
96000	0	0.010	0.020	0.175	0.095	0.105	0.115	0.060
96125	0	0	0.005		0.220	0.220	0.225	

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 0 Puts 0

■ FTSE EUROTOP 100 INDEX FUTURES (LIFFE) Ecu20 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	-	2996.0	-27.0	-	-	0	969
Dec	-	3030.0	-27.0	-	-	0	73

■ EURO STYLE FTSE EUROTOP 100 INDEX OPTION (AEX) Ecu10 per index point

	2850 C	2850 P	2875 C	2875 P	2900 C	2900 P	2925 C	2925 P	2950 C	2950 P	2975 C	2975 P	3000 C	3000 P	3025 C	3025 P
Jul	142	7	119	9	97	12	77	17	60	23	41	32	40	35	19	59
Aug	186	45	167	51	149	58	132	65	116	74	100	84	87	96	74	109

Est. vol total 216 Prev day's open interest total 3,757 Premiums shown are based on settlement prices.

OTHER INDICES

	Jul 9	Jul 8	Jul 7	1998 High	1998 Low	Since compilation High	Since compilation Low
DJ Stoxx 50	3634.83	3644.60	3517.41	3644.60	2574.51	3644.6	3976.42
DJ Euro Stx 50	3642.20	3553.07	3530.83	3653.07	2405.81	3653.07	2865.32
MSCI Europe	1282.49*	1276.19	1271.80	1282.48	960.50	1282.48	510.78

Source: Extel/part of FT Information. *Subject to revision next day. NA unavailable.

FTSE Actuaries Share Indices — European series

Produced in conjunction with the Faculty and Institute of Actuaries

July 9 National & Regional Markets	Euro Index	Day's %	change points	Yield gross %	xd adj ytd	Total retn (Ecu)
FTSE Eurotop 300	1290.46	-0.39	-5.02	2.21	18.79	1320.91
FTSE Eurotop 100	2983.70	-0.50	-14.96	2.23	24.89	1063.30
FTSE Ebloc 100	1086.36	-0.33	-3.64	1.86	11.95	1089.10
FTSE Eurotop 300 Regions						
Eurobloc	1359.84	-0.29	-3.98	1.86	18.01	1394.47
UK	1173.47	-0.52	-6.11	2.85	21.62	1215.67
Europe Ex-Eurobloc	1233.58	-0.49	-6.02	2.59	18.50	1266.30
Europe Ex-UK	1357.50	-0.32	-4.42	1.91	17.15	1379.61
FTSE Eurotop Industry Sectors						
RESOURCES	997.92	-0.41	-4.08	2.80	19.70	1032.09
Extractive Industries	807.95	-1.75	-14.41	3.27	0.00	807.95
Oil, Integrated	983.44	-0.35	-3.40	2.88	12.98	978.30
Oil, Exploration & Prod	957.02	-0.36	-3.50	2.59	0.00	957.02
GENERAL INDUSTRIES	1281.59	-0.69	-8.98	2.20	17.70	1304.26
Construction	1027.19	+1.43	+14.51	2.51	11.05	1038.13
Building Matls & Merchs	1065.17	-0.10	-1.10	2.59	7.65	1072.59
Chemicals	1106.31	-0.64	-7.12	2.55	15.96	1123.91
Diversified Industrials	1051.58	+0.55	+5.76	2.10	16.20	1068.12
Electronic & Elect Equip	1084.71	-1.00	-10.92	1.88	3.25	1088.11
Engineering	1076.29	-1.02	-11.05	3.08	6.97	1083.61
Paper, Pckg & Printing	988.29	-0.59	-5.75	2.44	1.21	989.49
CONSUMER GOODS	1210.08	-1.04	-12.72	1.82	13.21	1237.29
Automobiles	1209.25	-1.24	-15.22	2.12	8.28	1218.39
Alcoholic Beverages	1038.10	+0.40	+4.16	2.19	5.82	1044.32
Food Producers	1065.79	-1.09	-11.75	1.59	7.80	1074.84
Household Goods & Texs	1092.33	-2.13	-22.73	1.71	7.01	1099.46
Healthcare	1050.28	+0.39	+4.06	0.25	9.82	1060.95
Pharmaceuticals	1030.22	-1.15	-11.94	1.31	2.07	1032.39
Tobacco	1088.40	-0.65	-7.19	3.99	1.81	1090.45
SERVICES	1270.59	-0.72	-9.25	2.07	18.06	1298.38
Distribution	977.79	+1.13	+10.91	2.22	11.37	988.77
Leisure & Hotels	981.38	-0.66	-6.50	2.55	8.12	989.31
Media	1088.88	-0.09	-0.98	2.14	3.92	1092.99
Retailers, Food	1070.71	-1.23	-13.35	2.84	9.18	1080.71
Retailers, General	1033.78	-0.21	-2.14	2.55	13.17	1047.06
Telecommunications	1143.08	-1.05	-12.15	1.83	7.38	1151.36
Breweries, Pubs & Rests	955.80	-0.09	-0.91	3.19	8.69	964.45
Support Services	1098.91	-0.61	-6.77	0.82	5.86	1103.16
Transport	1109.14	-0.07	-0.75	2.22	7.82	1116.92
Information Technology	1224.45	-2.17	-27.16	0.33	2.23	1227.23
UTILITIES	1412.86	-1.04	-14.87	3.19	52.14	1488.08
Electricity	1056.23	-0.96	-10.28	3.37	24.86	1095.09
Gas Distribution	1128.42	-2.33	-26.89	1.68	84.81	1232.34
Water	1080.81	+0.87	+9.35	4.86	38.72	1122.09
FINANCIALS	1429.25	+0.50	+7.08	2.30	29.87	1460.17
Banks, Retail	1026.11	+0.17	+1.73	2.83	8.08	1034.49
Insurance	1050.36	+1.06	+11.12	1.26	8.25	1063.22
Life Insurance	1162.76	+1.15	+13.18	1.82	3.19	1166.62
Other Financial	1030.86	+0.97	+9.95	1.95	13.23	1044.47
Investment Companies	1073.29	+0.21	+2.26	2.34	20.66	1083.34
Property	844.94	-0.58	-4.95	3.26	15.01	853.46

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FTSE EUROTOP 300

Name	Price (Ecu)	Chge +or-	Mkt cap Ecu(bn)	Yld (m)	Yld
ALCOHOLIC BEVERAGES					
[illegible]					
DISTRIBUTORS					
[illegible]					
HOUSEHOLD GOODS & TEXTILES					
[illegible]					
PHARMACEUTICALS					
[illegible]					

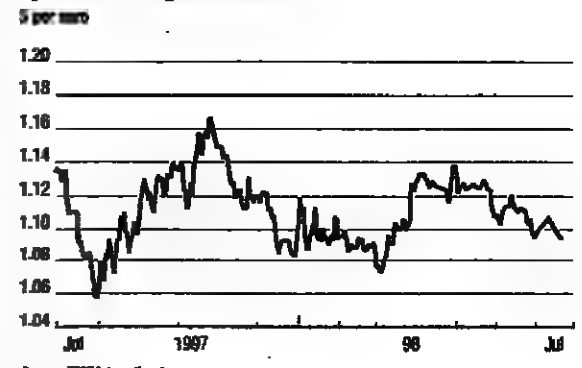
CURRENCIES & MONEY

FT SYNTHETIC EURO RATES

Jul 09	Currency code	Closing mid point	Change on day	Change on day%	Change on week	Change week %
Europe						
Austria	ATS	14.080457	-0.0009	-0.01	-0.0027	-0.02
Belgium	BEF	41.235698	-0.0060	-0.01	-0.0164	-0.04
Czech Republic	CZK	35.589616	-0.1321	-0.37	-0.3588	-1.00
Denmark	DKK	7.622045	+0.0005	+0.01	+0.0034	+0.05
Finland	FIM	6.078877	+0.0005	+0.01	-0.0010	-0.02
France	FRF	6.702441	-0.0014	-0.02	+0.0029	+0.04
Germany	DEM	1.999691	-0.0001	-0.01	-0.0003	-0.02
Greece	GRD	333.372908	-0.8782	-0.26	-2.8061	-0.83
Hungary	HUF	241.308637	-0.5200	[illegible]	+0.0833	+0.04
Ireland	IEP	0.794851	+0.0005	+0.06	+0.0001	+0.01
Italy	ITL	1970.611588	+0.7360	+0.04	+0.3747	+0.02
Luxembourg	LUF	41.235698	-0.0060	-0.01	-0.0164	-0.04
Netherlands	NLG	2.254298	+0.0000	+0.00	-0.0004	-0.02
Norway	NOK	8.493657	+0.0022	+0.03	-0.0413	-0.48
Poland	PLN	3.822392	-0.0147	[illegible]	-0.0040	-0.11
Portugal	PTE	204.516918	-0.0854	-0.04	[illegible]	-0.13
Romania	ROL	9508.689311	-59.1714	[illegible]	-25.0868	-0.27
Russia	RUB	6.821053	-0.0445	-0.65	[illegible]	-0.25
Slovakia	SKK	38.648061	-0.1888	-0.49	-0.0048	-0.01
Spain	ESP	169.665436	+0.0089	+0.00	-0.0375	-0.02
Sweden	SEK	8.854415	-0.0199	-0.22	-0.0318	[illegible]
Switzerland	CHF	1.684520	+0.0050	[illegible]	+0.0031	+0.19
United Kingdom	GBP	0.670572	-0.0014	-0.20	+0.0087	+1.31
ECU	[illegible]	1.016231	-0.0005	-0.05	+0.0009	+0.09
Americas						
Brazil	BRL	1.289758	-0.0061	-0.48	+0.0001	+0.01
Canada	CAD	1.610619	-0.0107	-0.66	+0.0008	+0.05
Mexico	MXN	9.770521	-0.0454	[illegible]	-0.0881	-0.89
United States	USD	1.093295	-0.0069	-0.62	-0.0045	-0.41
Pacific/Middle East/Africa						
Australia	AUD	1.764487	+0.0002	+0.01	-0.0067	[illegible]
Hong Kong	HKD	8.471793	-0.0516	-0.60	-0.0336	-0.40
Japan	JPY	154.437090	+0.7241	[illegible]	-0.4860	-0.31
Singapore	SGD	1.877590	-0.0008	-0.04	+0.0079	+0.42
South Africa	ZAR	6.878280	+0.0843	+1.39	-0.0060	-0.09

Source: FTSE International Ltd. This table gives a theoretic, synthetic value for the Euro against various other currencies, calculated by applying GDP weights to Euro "in" currencies. The Euro will not exist until January 1 and the table should not be used as a precise guide to its value. It is designed to show broad currency valuation trends. Currency weightings as follows: DEM 0.3364, FRF 0.2217, ITL 0.1423, NLG 0.0577, BEF 0.0388, ESP 0.0049, IEP 0.0116, PTE 0.0155, ATS 0.0320, FIM 0.0107.

Synthetic Euro against the dollar



Source: FTSE International

EUROZONE CURRENCY CONVERGENCE

Bilateral conversion rates against the D-Mark

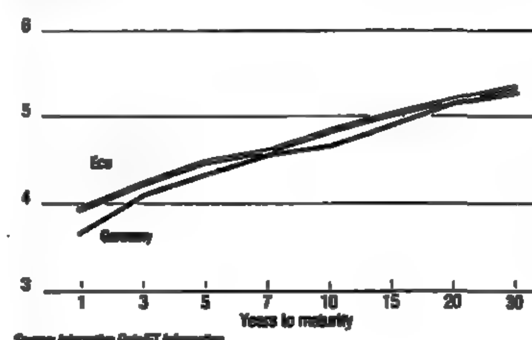
Jul 09	Fixed rate	Market rate	Diff fxd v mkt %	Week ago %	Forward rate	Forward int rate	Diff int rate v DEM
Austria	7.03552	7.0353	+0.00	+0.00	7.0374	3.7	+0.08
Belgium	20.6255	20.621	-0.02	+0.00	20.6261	3.69	+0.05
France	[illegible]	3.3517	[illegible]	-0.12	3.3518	3.65	+0.01
Finland	[illegible]	3.0399	+0.00	+0.00	3.041	3.72	+0.08
Ireland	0.402676	0.3974	-1.31	-1.34	0.4016	5.87	[illegible]
Italy	990.002	985.4581	-0.46	-0.50	990.194	[illegible]	+1.01
Luxembourg	20.6255	20.621	-0.02	+0.00	20.6261	3.69	[illegible]
Netherlands	1.12674	[illegible]	+0.05	+0.05	1.127	3.58	[illegible]
Portugal	102.505	102.2742	-0.23	-0.12	102.5324	4.17	+0.53
Spain	85.0722	84.8459	-0.27	-0.26	85.0866	4.24	+0.60
Germany	1		+0.00	+0.00		3.64	+0.00

Source: The WM Company. Fixed rates are bilateral rates agreed by EU May 2/3; forward rates are exchange rates to 31/12/98 interpolated from market quotes; forward interest rates are those implied by these forward exchange rates; Diff int rates v DEM are differences between implied forward interest rates and the DEM forward interest rate for 31/12/98; DEM forward interest rate for 31/12/98 is calculated by interpolation between published BBA market fixings.

BONDS

Bond yield curve

Per cent (July 9 1998)



Source: Interactive Data/FT Information

EUROZONE CORPORATE BONDS

Jul 09	Red date	Coupon	S & P Rating	Bid price	Bid yld	Day's chge yld	Mth's chge yld	Spread v Ecu
Sovereign Fungible issues								
Belgium (Kingdom of)	03/08	5.750	N/A	106.490	[illegible]	+0.00	-0.13	+0.04
France (Rep of)	04/08	5.250	N/A	103.620	4.78	-0.02	-0.15	-0.07
Italy (Rep of)	05/08	5.000	AA	100.600	4.92	-0.01	-0.12	+0.07
Portugal (Rep of)	06/08	5.375	AA-	103.500	4.92	-0.03	-0.14	+0.07
Euro issues								
Abbey Natl Treas Srv	02/03	4.875	AA	101.140	4.59	+0.00	-0.18	+0.11
Gen Electric Cap Crp	10/04	5.500	AAA	104.500	4.65	-0.02	-0.20	+0.11
Oest Kontrollbank	04/08	5.250	AAA	102.342	4.94	-0.01	-0.13	+0.09
Cred Local de France	04/08	5.250	AA+	101.450	5.06	-0.05	-0.18	+0.21
Ecu issues								
Bayer Hypo & Wch Bk	07/01	5.000	AA-	101.807	4.40	-0.03	-0.22	+0.15
Cred Foncier France	03/04	8.375	A	115.750	5.10	-0.01	-0.20	+0.58
Euro Inv Bank	04/04	5.250	AAA	103.810	[illegible]	+0.00	-0.15	-0.08
ABN Amro Hldg. NV	04/07	6.375	AA-	108.370	5.16	-0.01	-0.14	+0.38

Source: Interactive Data/FT Information. London closing. Fungible bonds issued in tranches by Euro "in" sovereigns and fungible into one big Euro issue 1/1/99; Euro issues are issued in the new currency; Ecu issues are issued in Ecu but convert to Euros 1/1/99.

GOVERNMENT BOND SPREADS vs ECU

Jul 09	2 yrs	5 yrs	7 yrs	10 yrs	20 yrs	30 yrs
"Ins"						
Austria	+0.02	-0.04	+0.06	-0.03	-0.13	+0.05
Belgium	-0.01	-0.01	+0.08	+0.05	+0.03	+0.11
Finland	-0.12	+0.01	+0.08	+0.00	[illegible]	-0.50
France	-0.14	-0.10	-0.08	-0.07	[illegible]	-0.05
Germany	-0.17	-0.13	-0.04	-0.19	[illegible]	-0.07
Ireland	+0.70	-0.03	+0.05	+0.10	+0.04	+0.30
Italy	+0.27	+0.17	+0.18	+0.14	+0.12	+0.19
Luxembourg	-0.01	-0.01	+0.08	+0.05	+0.03	+0.11
Netherlands	-0.09	-0.06	-0.02	-0.07	[illegible]	-0.03
Portugal	+0.13	+0.12	+0.17	+0.11	+0.29	[illegible]
Spain	+0.02	+0.07	+0.11	+0.12	+0.13	+0.32
"Outs"						
Denmark	+0.21	+0.15	+0.16	+0.07	-0.01	+0.17
Greece	+6.46	+4.34	+3.48	+2.76	+2.40	+2.29
Sweden	+0.17	+0.11	+0.15	+0.07	+0.07	-0.07
UK	+2.77	+1.66	+1.36	+0.87	+0.42	+0.05

Source: Interactive Data/FT Information. Table takes common convention constant maturity treasury yield curves for each currency and compares to the constant maturity Ecu curve to calculate a spread.

EUROZONE CREDIT SPREADS vs ECU

Jul 09	S & P rating	Red date	Coupon	Currency code	Spread	Spread wk ago	Spread mth ago
KFW	AAA	01/08	5.000	DEM	-0.03	+0.02	+0.08
France Telecom	AA+	11/06	6.250	FRF	+0.14	+0.16	+0.15
Halifax	AA	07/07	5.625	DEM	+0.16	+0.18	+0.19
Ing Bank NV	AA-	01/08	5.500	NLG	+0.18	+0.17	+0.21
Bayer Hypo W Bk	AA-	02/02	6.750	ITL	+0.29	+0.32	+0.30
Cred Foncier	A	[illegible]	7.250	DEM	+0.30	+0.32	+0.37
Thomson-Brandt Int	A-	03/04	[illegible]	FRF	+0.34	+0.38	+0.33
Generale des Eaux	BBB+	03/04	6.250	FRF	+0.30	+0.32	+0.29
Bank of China	BBB	07/99	7.125	DEM	+0.87	+0.83	+0.70
Natl Bk of Hungary	BBB-	06/01	9.000	ATS	+0.88	+0.56	+0.63
Korea Dev Bank	BB+	11/02	5.625	FRF	+5.80	[illegible]	+4.45

Source: Interactive Data/FT Information. Table shows yield spreads to the Ecu curve for issues of a broadly representative credit in each rating band denominated in Euro "in" currencies.

Interest rate news lifts Europe

GOVERNMENT BONDS

By Jeremy Grant in London and Richard Tomkins in New York

Core European bond prices jumped to a higher close yesterday as the UK and Germany left key interest rates unchanged, with bunds boosted in late trade from fresh jitters over the state of Russian finances and early strength in US Treasuries.

Relief swept through the gilts market on news of the Bank of England's interest rate decision, steadying investors' nerves after weeks of uncertainty in UK bond markets.

The Bundesbank, as expected, left interest rates unchanged at its council meeting. However, Hans Tietmeyer, bank president, re-opened the debate over the pace of Emu interest rate convergence by warning that a German interest rate rise may be necessary this year if some of Bonn's fellow euro zone members fail to tighten fiscal policies.

Eugenio Domingo Solans, European Central Bank board member, meanwhile, called for faster convergence.

Economists say countries on the Emu periphery such as Spain, Italy and Ireland may have trouble lowering interest rates if their economies continue to steam ahead.

In spite of bond yields hovering at lows, analysts say there is potential for bond prices to push higher if emerging market sentiment sours further over Russia's economic woes.

"I think Russian uncertainty and resulting flight to quality is probably a good thing for [German] bunds. Volatility in the short term will reduce the appetite for emerging market risk, which will benefit safe haven markets," said Ifty Islam, fixed income strategist at Deutsche Bank.

US TREASURIES started the day slightly higher, extending their gains during the morning on political uncertainty in Japan and a strengthening of the dollar against the yen.

At noon, the benchmark 30-year bond was up $\frac{15}{32}$ at $107\frac{5}{16}$, yielding 5.597 per cent. The 10-year note was up ¼ at $101\frac{13}{16}$, yielding 5.401 per cent, and the two-year note was up $\frac{1}{16}$ at $99\frac{15}{16}$, yielding 5.406 per cent.

The day's session was preceded by the release of the weekly figures for US jobless claims, which showed a surprising drop of 1,000 to 392,000 in spite of the General Motors strike.

Analysts had expected the strike to result in a 30,000 increase in claims. In fact, the unadjusted figure rose by nearly this amount – 29,000. But after seasonal adjustment, the effects of the strike were disguised by the normal two-year shutdowns that occur in the automotive industry at this time of year.

After starting only modestly ahead, the 30-year bond strengthened during the morning as the market switched attention to the elections in Japan and increasing pessimism that the government would be willing or able to introduce needed economic reforms.

UK GILTS closed higher, cheered by a decision by the Bank of England's monetary policy committee to leave interest rates at 7.5 per cent.

The short end of the yield curve outperformed the long end, as expected given its sensitivity to interest rate movements.

The September 10-year gilt future settled 0.60 points higher at 109.15 in heavy volume of 87,000 contracts traded. In the cash market, the spread between the benchmark gilt and bund contracts narrowed by 7 basis points to 117.

Analysts said it was not yet clear whether interest rates had peaked, and gilts were likely to remain cautious until there were clear signs that this was the case.

"There are plenty of people who think the Bank's waiting for the August inflation report. But our view is that it should be the last [rate] move because the MPC will see more evidence of the economy slowing," said Julian Jessop, chief European economist at Nikko.

"There are also fears out there that the Bank may still raise rates," he said. Key inflation and average earnings data are due next week. Both have been an increasing focus of the MPC's inflation calculations

GERMAN BUNDS hitched a ride with higher US Treasuries towards the close of trading in Europe, with the September 10-year bund future settling 0.13 points up at 108.90.

Vietnam rating cut on reform concerns

By Jeremy Grant

Moody's Investors Service, the rating agency, yesterday lowered Vietnam's sovereign credit rating to B1 from Ba3 because of concern over stalled economic reforms and the threat posed to its balance of payments position by slowing foreign currency inflows.

The move comes five months after the agency placed Vietnam's long-term debt on review for possible downgrade.

Bankers said that, combined with the effects of the Asian financial crisis and the currently poor state of emerging debt markets, the downgrade would further delay the the communist country's debut on the international capital markets.

Hanoi in March said it was pressing ahead with plans for a \$100m-\$150m eurobond of between three to five years' maturity this year. Nomura and Merrill Lynch won a mandate to co-lead manage the issue in 1995.

"I imagine it's on the back burner given what's going on in the [Asian] region, how there's been no progress on the reforms, as well as the local currency looking overvalued. It comes as no surprise," said Chris Portman, senior analyst at ANZ Investment Bank.

The IMF and World Bank have cautioned Hanoi against incurring further commercial debts in view of its low debt service capacity, a sharp slowdown in exports and foreign investment.

Moody's said that the gains from a decade of economic reforms were dissipating and that the maintenance of macro-economic stability could not be assured.

OTC DERIVATIVES PLANS FINALISED

LCH clearing system ready for launch

By Edward Luce

The London Clearing House, the body that clears and settles transactions for commodity and futures exchanges, yesterday said it had finalised plans for its proposed clearing service in the over-the-counter derivatives market.

The system, known as SwapClear, is expected to be launched by August 1999, assuming it receives approval from regulatory authorities including the Commodity Futures Trading Commission in the US.

"This will be the first ever clearing system in the OTC derivatives market," said David Hardy, LCH chief executive. The system, which will initially be available for straight interest rate swaps of up to 10-year maturity, is expected to include the leading banks in the global market.

Once it is off the ground, LCH will look at extending clearing facilities to cross-currency swaps and to contracts of longer duration.

The LCH, which is 75 per cent owned by its members including leading banks, said the facility had been devised at the request of its members.

Officials say the system will provide a number of benefits. First, banks will be able to free more credit lines by shifting exposure from their bilateral counterparty to the LCH. Exposure limits between banks using the system will thus be put to better use.

Second, banks using the system will be able to improve their return on capital by freeing collateral that would have been provisioned against counterparty risk. As the central counterparty, the LCH assumes such risk.

Return on capital can also be boosted as users can cross-margin their exposure against positions on other markets which are cleared by the LCH, such as the London International Financial Futures and Options Exchange.

Third, banks can cut back-office costs by reducing the number of counterparties they deal with. The LCH becomes sole counterparty the moment the contract is put through SwapClear.

The LCH believes savings on operational efficiency will more than make up for the £250,000 (\$412,500) cost of joining the system. The average fee on a swap is estimated at £40.

Meanwhile, executives at the International Securities Markets Association, the self-regulatory body for the eurobond market, are hopeful they can reach a deal within the next few weeks to include the LCH in ISMA's new automated bond trading system. The automated system, known as Coredeal, is expected to be launched in mid-1999.

Under the deal, the LCH would act as the central counterparty for Coredeal, providing, for the first time, a proper clearing facility in the secondary bond markets.

"Within the next six to eight weeks there is a good chance we will have a memorandum of understanding with the London Clearing House," said Roy Lambert, managing director of ISMA.

Fannie Mae launches \$2bn add-on

INTERNATIONAL BONDS

By Edward Luce

Fannie Mae, as expected, came to the markets yesterday with a \$2bn add-on to the \$3bn global bond it launched in May. The combined total of \$5bn makes it the largest non-sovereign dollar bond in the 10-year sector.

Because of a slight improvement in market sentiment over the past two days, Fannie Mae priced the deal at the lower end of its indicated range.

At a spread of 37.5 basis points over the Treasury, the bond was priced to yield 3.5 basis points more than the initial launch spread last May – an indication of the spread widening that has taken place in the meantime.

About two-thirds of yesterday's tranche – lead managed by CSFB, Merrill Lynch and J. P. Morgan – went to US investors, according to one official.

The **EUROPEAN INVESTMENT BANK** also took advantage of the mild improvement in sentiment to launch a DM3bn offering which will be fungible with earlier offerings in euros and lira.

The combined total – of about E5bn once the D-Mark and lira tranche have been converted into euros – will make it the largest 10-year bond from a non-sovereign borrower in any currency.

"These large and very liquid bonds are popular with investors at times like these," said an official at CSFB, joint lead with Dresdner Kleinwort Benson.

Elsewhere, traders in London said there were strong rumours Ukraine was expected to return to the international bond markets for the third time following its double-digit coupon bonds in D-Marks and euros earlier this year.

Depfa, the German bank, is to issue a 10-year global Pfandbrief in the next few weeks totalling at least DM4bn. The bond will be lead managed by Commerzbank and Goldman Sachs.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
BP America	200	5.75	100.046R	Jul 2001	0.20R	+22(5%May01)	Deutsche Bank
Rabobank Nederland(a)	100	5.375	100.00R	Jul 2008	0.325R	-	Morgan Stanley DW
D-MARKS							
European Inv'ment Bank(b)	3bn	5.00	(b1)R	Apr 2008	0.15R	+12(5¼Jan08)	CSFB/Dresdner KB
Ste of Baden-Wuerttemberg	750	4.75‡	99.136	Aug 2008	0.15	+18(4¾Jul08)	Barclays Capital
Hungarian Foreign Trade Bk	250	5.125	99.526R	Aug 2005	0.45R	+61(5⅞May05)	Bayerische Landesbank
STERLING							
Rabobank Nederland	250	6.50	99.834R	Jul 2004	0.30R	+44(6¾Nov04)	Barclays Capital
ITALIAN LIRE							
World Bank(c)‡	300bn	(c1)	99.70R	Jul 2013	0.80R	-	Deutsche Bank

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ‡ Floating-rate note. R: fixed re-offer price; fees shown at re-offer level. a) Callable after 2 yrs at par. b) Fungible with E2bn and L3,000bn upon Emu. b1) Priced today. c) L300bn launched on Tuesday was increased to L400bn. Callable on 31/7/03 and 08 at par. c1) 10% in yr 1, 6% in yr 2, then 15% - 2 x 12-mth Libor. ‡ Long 1st coupon.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

Jul 9	Red Date	Coupon	Bid Price	Bid Yield	Day chg yield	Wk chg yield	Month chg yld	Year chg yld
Australia	04/00	7.000	102.9020	5.24	+0.08	+0.03	-0.21	-0.05
	10/07	10.000	132.1944	5.47	+0.05	+0.01	-0.14	-1.25
Austria	03/00	7.000	103.4500	3.94	+0.05	+0.05	-0.20	+0.13
	07/07	5.625	106.0000	4.79	-0.02	-0.02	-0.15	-0.77
Belgium	01/00	4.000	99.9800	4.01	-	-	-0.15	+0.50
	03/07	6.250	109.6400	4.84	-	-0.01	-0.14	-0.75
Canada	09/99	4.750	99.6500	5.15	-	-0.03	-0.05	+0.01
	06/07	7.250	114.0000	5.24	+0.01	-0.04	-0.09	-0.71
Denmark	12/99	6.000	102.3300	4.24	+0.02	+0.03	-0.14	+0.16
	11/07	7.000	115.3900	4.90	-	-0.03	-0.17	-1.20
Finland	01/99	11.000	103.5464	3.62	-0.04	-0.08	-0.18	-0.09
	04/08	7.250	118.8870	4.75	-0.04	-0.08	-0.16	-1.08
France	01/00	4.000	100.1400	3.89	-0.02	-0.05	-0.20	+0.33
	10/04	6.750	112.3600	4.48	-0.03	-0.03	-0.21	-0.45
	10/07	5.500	106.6000	4.74	-0.03	-0.02	-0.16	-0.65
	10/26	6.500	110.2300	5.25	-0.03	-0.04	-0.14	-0.98
Germany	09/99	4.000	100.2300	3.79	+0.01	-0.02	-0.18	+0.34
	11/04	7.500	116.0700	4.52	-0.02	-0.02	-0.20	-0.55
	07/07	6.000	109.3900	4.66	-0.03	-0.04	-0.19	-0.83
	07/27	6.500	118.0000	5.27	-0.03	-0.03	-0.15	-1.06
Ireland	04/99	6.250	100.7200	5.13	-0.06	-0.20	-0.37	-0.83
	08/06	8.000	120.0800	4.93	-0.04	-0.06	-0.18	-1.48
Italy	06/00	6.000	102.9300	4.31	-0.01	-0.04	-0.18	-1.52
	05/02	6.250	106.0800	4.50	-0.01	-0.06	-0.20	-1.42
	07/07	6.750	113.1800	4.92	-	-0.03	-0.15	-1.66
	11/26	7.250	125.5900	5.47	-	-0.02	-0.11	-1.74
Japan	03/00	6.400	108.8300	0.61	-	-	+0.09	-0.30
	12/02	4.800	116.4100	1.00	-	+0.04	+0.15	-0.72
	09/05	3.000	110.7000	1.43	-	+0.07	+0.17	-0.67
	09/17	3.000	111.6900	2.25	-0.01	+0.05	+0.18	-0.74
Netherlands	11/99	7.500	104.5300	3.93	+0.01	-0.02	-0.15	+0.39
	02/07	5.750	107.2900	4.70	-0.02	-0.02	-0.14	-0.76
New Zealand	02/00	6.500	98.8831	7.23	+0.06	+0.11	-0.61	+0.63
	11/06	8.000	110.2030	6.38	+0.08	+0.03	-0.32	-0.61
Norway	01/99	9.000	101.8400	5.34	+0.02	+0.12	+0.58	+1.02
	01/07	6.750	108.9000	5.41	-0.01	-0.11	+0.04	-0.84
Portugal	03/99	8.600	102.7400	4.31	-	+0.10	+0.05	-0.90
	02/07	6.625	111.5600	4.94	-0.01	-0.03	-0.11	-1.30
Spain	07/99	7.400	103.2300	4.17	-0.01	+0.02	-0.07	-0.74
	03/07	7.350	117.2700	4.87	-0.02	-0.02	-0.17	-1.32
Sweden	01/99	11.000	103.4158	4.07	-0.01	+0.02	-0.17	-0.83
	08/07	8.000	122.5740	4.67	+0.01	-0.02	-0.14	-1.54
Switzerland	03/00	5.000	104.5800	2.15	+0.04	+0.04	+0.10	+0.80
	06/07	4.500	110.1800	3.17	+0.02	+0.11	+0.20	-0.10
UK	08/99	6.000	98.8125	7.16	-0.15	-0.07	+0.18	+0.04
	11/04	6.750	104.0000	5.98	-0.08	-0.08	+0.02	-1.15
	12/07	7.250	110.5234	5.78	-0.08	-0.06	-	-1.29
	06/21	8.000	131.1406	5.58	-0.03	-	-0.08	-1.39
US	10/99	5.625	100.1880	5.46	-0.03	-0.03	-0.16	-0.42
	11/04	7.875	112.6250	5.49	-0.03	-0.03	-0.18	-0.66
	08/07	6.125	104.4740	5.50	-0.01	-0.02	-0.19	-0.75
	02/27	6.375	110.1250	5.66	-0.02	-	-0.18	-0.90
ECU	01/00	4.000	99.8500	4.08	+0.03	+0.01	-0.19	+0.01
	04/07	5.500	105.1300	4.77	-	-0.01	-0.15	-1.03

London closing. *New York mid-day. Source: Interactive Data/FT Information
Yields: Local market standard/Annualised yield basis. Yields shown for Italy exclude withholding tax at 12.5 per cent payable by nonresidents.

10 YEAR BENCHMARK SPREADS

Jul 9	Bid Yield	Spread vs Bunds	Spread vs T-Bonds
Australia	5.47	+0.81	+0.07
Austria	4.82	+0.16	-0.58
Belgium	4.90	+0.24	-0.50
Canada	5.24	+0.58	-0.16
Denmark	4.92	+0.26	-0.48
Finland	4.85	+0.19	-0.55
France	4.78	+0.12	-0.62
Germany	4.66	-	-0.74
Ireland	4.95	+0.29	-0.45
Italy	4.99	+0.33	-0.41
Japan	1.67	-2.99	-3.73
Netherlands	4.78	+0.12	-0.62
New Zealand	6.38	+1.72	+0.98
Norway	5.40	+0.74	-
Portugal	4.96	+0.30	-0.44
Spain	4.97	+0.31	-0.43
Sweden	4.92	+0.26	-0.48
Switzerland	3.17	-1.49	-2.23
UK	5.72	+1.06	+0.32
US	5.40	+0.74	-
ECU	4.85	+0.19	-0.55

Source: Interactive Data/FT Information. London closing. * New York closing. Annualised yield basis.

EMERGING MARKET BONDS

Jul 9	Red date	Coupn	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd vs US
EUROPE								
Croatia	02/02	7.000	BBB-	97.5678	7.78	-0.03	+0.17	+2.37
Poland	07/04	7.125	BBB-	102.8472	6.54	-0.02	-0.21	+1.14
Russia	06/07	10.000	B+	70.5859	16.37	-0.09	+4.30	+10.97
LATIN AMERICA								
Argentina	09/27	9.750	BB	94.6000	10.33	+0.04	-0.10	+4.74
Brazil	05/27	10.125	BB-	87.5000	11.63	-0.07	+0.44	+6.04
Mexico	05/26	11.500	BB	115.3457	9.86	-0.03	+0.17	+4.28
ASIA								
China	07/06	7.750	BBB+	105.4486	6.84	-0.01	-0.03	+1.44
Philippines	10/16	8.750	BB+	94.6046	9.37	-0.03	-0.27	+3.89
Thailand	04/07	7.750	BBB-	89.0360	9.65	+0.24	+0.76	+4.25
AFRICA/MIDDLE EAST								
Lebanon	07/00	9.125	BB-	102.0474	7.99	-0.09	-0.13	+2.58
South Africa	10/06	8.375	BB+	101.8447	8.05	-0.03	+0.39	+2.65
Turkey	09/07	10.000	B	98.0844	10.32	-0.04	+0.53	+4.92
BRADY BONDS								
Argentina	03/23	5.750	BB	75.5000	8.34	+0.02	-0.04	+2.79
Brazil	04/14	5.000	BB-	74.6719	10.79	-0.03	+0.41	+5.33
Mexico	12/19	6.250	BB	83.6250	7.84	+0.02	+0.02	+2.33
Venezuela	03/20	6.750	B+	78.2500	9.05	+0.03	+0.68	+3.53

London closing. Prices in US\$. Standard & Poor's ratings. Source: Interactive Data/FT Information.

BOND FUTURES AND OPTIONS

France

NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	104.38	104.90	-	104.96	104.77	59,789	131,368
Dec	-	104.58	-	-	-	-	-

LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Jul	Calls Aug	Calls Sep	Puts Jul	Puts Aug	Puts Sep
102	3.00	3.03	2.80	0.01	0.06	0.26
103	2.02	2.09	2.01	0.02	0.10	0.37
104	1.07	1.23	1.35	0.07	0.24	0.70
105	0.37	0.57	0.84	0.37	0.57	1.17

Est. vol. total, Calls 4,205 Puts 10,072. Previous day's open int., Calls 41,659 Puts 39,767

Germany

NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	108.74	108.90	+0.13	109.03	108.68	6689	69961
Dec	-	108.28	+0.13	-	-	0	224

BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Aug	Calls Sep	Calls Oct	Calls Dec	Puts Aug	Puts Sep	Puts Oct	Puts Dec
10850	0.54	0.75	0.80	0.87	0.14	0.35	0.82	1.09
10900	0.24	0.46	0.39	0.65	0.34	0.66	1.11	1.37
10950	0.08	0.26	0.24	0.47	[illegible]	0.86	1.46	1.69

Est. vol. total, Calls 10643 Puts 6146. Previous day's open int., Calls 173838 Puts 125896

NOTIONAL GERMAN BUND (BOBL) FUTURES (DTB) DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	105.89	105.98	+0.11	[illegible]	[illegible]	94,358	[illegible]
Dec	[illegible]	105.48	[illegible]	105.36	105.36	1,100	12,630

Italy

NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lire 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	120.77	120.98	+0.10	121.09	120.75	14625	103074
Dec	107.20	107.26	+0.11	107.20	107.20	100	3965

ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lire200m 100ths of 100%

Strike Price	Calls Aug	Calls Sep	Puts Aug	Puts Sep
10300				
10350				
10400				

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 9470 Puts 12916

Spain

NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	110.01	110.19	+0.14	110.21	109.97	39,141	115,306
Dec	-	110.37	+0.14	-	-	-	-

UK

NOTIONAL 5 YEAR GILT FUTURES (LIFFE) £100,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	102.90	103.35	+0.45	103.40	102.90	409	2826

NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	108.47	109.15	+0.60	109.30	108.39	87582	134540
Dec	-	109.37	+0.60	-	-	0	0

LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Aug	Calls Sep	Calls Oct	Puts Aug	Puts Sep	Puts Oct
10900	0.54	0.87	1.21	0.39	0.72	0.84
10950	0.30	0.60	0.95	0.65	0.95	1.08
11000	0.15	0.41	0.73	1.00	1.28	1.36

Est. vol. total, Calls 7717 Puts 2495. Previous day's open int., Calls 56368 Puts 20920

US

US TREASURY BOND FUTURES (CBT) \$100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Sep	123-15	123-17	+0-03	123-21	123-10	313,207	933,261
Dec	123-05	123-06	+0-02	123-11	123-03	26,104	172,653
Mar	-	122-28	-	-	-	789	17,586

Japan

NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Sep	132.38	132.33	-	132.42	132.28	1720	n/a
Dec	132.06	132.08	-	132.06	132.06	50	n/a

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

Ecu

ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	-	103.60	-0.24	-	-	0	18

US CORPORATE BONDS

Jul 8	Red date	Coupon	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd vs Bonds
Pac Bell	[illegible]							
NY Tel	[illegible]							
GTE	[illegible]							
GECC	[illegible]							
Banc One	[illegible]							
US West	[illegible]							
WMX Tech	[illegible]							
Wal Mart	[illegible]							
Dayton H	[illegible]							
FHLMC	[illegible]							
SLMA	[illegible]							
FNMA	[illegible]							
FFCB	[illegible]							
Stone Con	[illegible]							
AK Stl	[illegible]							
Pacalta	[illegible]							

NY closing. Standard & Poor's ratings. Source: Interactive Data/FT Information

US INTEREST RATES

Latest		Treasury Bills and Bond Yields	
Prime rate	[illegible]	One month	[illegible]
Broker loan rate	[illegible]	Two month	[illegible]
Fed.funds	[illegible]	Three month	[illegible]
Fed.funds at intervention	[illegible]	Six month	[illegible]
		One year	[illegible]
		Two year	[illegible]
		Three year	[illegible]
		Five year	[illegible]
		10-year	[illegible]
		30-year	[illegible]

INTERNATIONAL BONDS

Jul 9	Red date	Coupon	S & P Rating	Bid price	Bid yld	Day's chge yld	Mth's chge yld	Spread v Govts
EIB	09/07	5.750	AAA	108.5500	4.80	-0.04	-0.12	+0.11
Spain	01/07	5.750	AA	106.4500	4.80	-0.03	-0.15	+0.11
Philip Morris	03/04	5.375	A	101.8000	5.00	+0.01	+0.05	+0.52
[illegible]								

UK BONDS

FTSE Actuaries Govt. Securities — UK Indices

Price Indices UK Gilts	Thu Jul 9	Day's chge %	Wed Jul 8	Accrued interest	xd adj. ytd
1 Up to 5 years (18)	[illegible]				
2 5-15 years (19)	[illegible]				
3 Over 15 years (8)	[illegible]				
4 Irredeemables (4)	[illegible]				
5 All stocks (49)	[illegible]				
Index-linked					
6 Up to 5 years (2)	[illegible]				
7 Over 5 years (9)	[illegible]				
8 All stocks (11)	[illegible]				

Average gross redemption yields are shown above. [illegible]

FT Fixed Interest Indices

	Jul 9	Jul 8	Jul 7	Jul 6	Jul 3	Yr ago	High*	Low*
Govt. Secs. (UK)	[illegible]							
Fixed Interest	[illegible]							

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UK GILTS PRICES

[illegible]

Other Fixed Interest

[illegible]

● 'Tap' stock. [illegible] HSBC Greenwell [illegible]

D-Mark weakens on Russia fears

MARKETS REPORT

By Daniel Dombey

Premonitions of difficulties ahead in Russia weakened the D-Mark against the dollar yesterday, while the Swiss franc hit a five-year low against the US currency.

Traders woke to rumours that President Boris Yeltsin was ill and though the talk was soon dispelled by a presidential appearance on television, the D-Mark remained weighed down by worries over Russia's liquidity crisis.

By the end of European trading, the D-Mark stood at DM1.829 against the dollar, a pfennig down on the day.

"The market is suddenly catching up with reality in Russia after trying to ignore it for a while," said Ros Lifton at HSBC. "It's disappointed with the International Monetary Fund not coming up with the money Russia wants and it's disappointed with the latest Russian reserve figure."

The D-Mark is sensitive to events in Russia, because of perceptions about trade and, in particular, banking ties between the two countries. In 1997, German banks had some $30bn in outstanding loans to Russia.

The Russian government's latest scramble for cash to service its obligations has seen talks begin with the IMF over what it hopes will be a $10-15bn loan package. Bond yields have risen to over 100 per cent. Yesterday it also emerged that in the week to July 3 central bank reserves fell by almost $1bn, to $15bn.

The D-Mark may have suffered disproportionately from the fact that no other country is as exposed to Russia as is Germany. But while the link between news from Russia and the D-Mark's fluctuations have proved strong on a day-to-day basis, the D-Mark has also been undermined by low German interest rates and a less-than-overwhelming economic recovery.

■ The D-Mark's weakness against the dollar helped sterling after the Bank of England's monetary policy committee decided to make no change to the repo rate of 7.5 per cent. The markets had been divided over the outcome of yesterday's vote, although expectations of a rise had diminished in recent days.

Sterling closed at DM2.982, up half a pfennig.

"A lot of people in the forex markets are looking to sell sterling as soon as they are confident that interest rates have peaked," said Ray Attrill at 4CAST, an economic consultancy. "That level of confidence hasn't been reached yet."

Short sterling futures rose after the announcement, indicating expectations of only one more 25 basis point rise this year. Until recently, short sterling prices factored in a rise of almost 50 points by December.

The Bundesbank also said it was not raising rates yesterday. The German finance ministry nominated Hermann Remsperger, chief economist at BHF Bank in Frankfurt, as Bundesbank chief economist.

■ The Swiss franc's continuing weakness brought it to a five-year low of SFr1.545 against the dollar yesterday, although the currency recovered to end London trade at SFr1.541.

"The Swiss franc has gone the way of gold in losing its lustre as a safe haven," said Mr Attrill. "People are drawn to US treasuries as the most liquid individual asset in the world; and you have interest rate difference as well."

■ Japanese politicians jostled with each other to hint at future government policy yesterday. In response, the yen moved downwards in its now customary fashion.

The currency ended trading in London at Y141.3 against the dollar, compared with Y139.7 the day before.

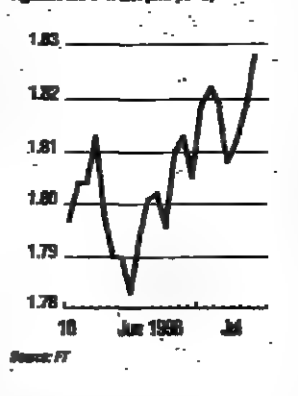
Among the possibilities mooted by senior officials yesterday were monetary reflation, a thorough study of tax cuts and other reforms, and the continuation of strict fiscal rectitude.

"Some ruling party members are performing for the international audience, others are not," said Mr Wallace. "But it's going to be very hard to pry some action out of the Japanese."

Meanwhile, the Korean won hit its strongest level of the year. The won has appreciated more than 50 per cent in 1998, as exporters repatriate dollar profits. Unusually, the government is unhappy at the currency's strength.

Dollar

Against the D-Mark (DM per $)



Source: FT

■ POUND IN NEW YORK

Jul 9	—Latest—	– Prev. close –
£ spot	1.6315	1.6365
1 mth	1.6289	[illegible]
3 mth	1.6235	[illegible]
1 yr	1.6009	1.6038

■ OTHER CURRENCIES

Jul 9	£	$
Czech Rp	[illegible]	[illegible]
Hungary	[illegible]	[illegible]
Iran	[illegible]	[illegible]
Kuwait	0.5007 - 0.5011	0.3072 - 0.3073
Peru	4.7103 - 4.7195	[illegible]
Poland	5.6973 - 5.7037	3.4955 - 3.4975
Russia	10.1 [illegible]	[illegible]
UAE	5.9961 - 5.9991	3.6727 - 3.6731

POUND SPOT FORWARD AGAINST THE POUND

Jul 9		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
[illegible]													

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jul 9		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan Index
[illegible]													

WORLD INTEREST RATES

MONEY RATES

Jul 9	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.00	2.75	–
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.60	–	3.30
Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.50	2.50	3.30
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	–	–	6.75
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.50	5.00	4.92
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	–	2.75	3.30
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	–	1.00	–
US	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	–	5.00	–
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	–	0.50	–
Interbank Fixing	–	[illegible]	[illegible]	[illegible]	[illegible]	–	–	–
US Dollar CDs	–	5.43	5.46	5.48	5.56	–	–	–
ECU Linked Ds	–	[illegible]	[illegible]	[illegible]	[illegible]	–	–	–
SDR Linked Ds	–	[illegible]	[illegible]	[illegible]	[illegible]	–	–	–

EURO CURRENCY INTEREST RATES

Jul 9	Short term	7 days notice	One month	Three months	Six months	One year
[illegible]						

■ EURIBOR OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
95625	0.090			0.115		
95750	0.050	0.350	0.365	0.200	0.020	0.045
95875	0.025			0.300		

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Jul 9	BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
[illegible]																	

UK INTEREST RATES

LONDON MONEY RATES

Jul 9	Over-night	7 days notice	One month	Three months	Six months	One year
[illegible]						

EMS EUROPEAN CURRENCY UNIT RATES

[illegible]						

■ SHORT STERLING OPTIONS (LIFFE) £500 000 points of 100%

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
92125	0.145			0.050		
92250	0.070	0.200	0.375	0.100	0.170	0.175
92375	0.030			0.185		

BASE LENDING RATES

	%		%		%
Adam & Company	7.50	Exeter Trust Limited	8.50	•Singer & Friedlander	7.50
Allied Irish Bank (GB)	7.50	Financial & Gen Bank	8.00	•Smith & Williamson	7.50
•Henry Ansbacher	7.50	•Robert Fleming & Co	7.50	Sun Bank	7.50
Banco Bilbao Vizcaya	7.50	•Guinness Mahon	7.50	TSB	7.50
Bank of Cyprus	7.50	Habib Bank AG Zurich	7.50	United Bank of Kuwait	7.50
Bank of Ireland	7.50	•Hambros Bank	7.50	Unity Trust Bank Plc	7.50
Bank of India	7.50	Heritable & Gen Inv Bk	7.50	Whiteaway Laidlaw	7.50
Bank of Scotland	7.50	C. Hoare & Co	7.50	Yorkshire Bank	7.50
Barclays Bank	7.50	Hongkong & Shanghai	7.50		
Brit Bk of Mid East	7.50	Investec Bank (UK) Ltd	7.50	• Members of London Investment Banking Association	
•Brown Shipley & Co Ltd	7.50	Julian Hodge Bank	7.50		
Citibank NA	7.50	•Leopold Joseph & Sons	7.50		
Clydesdale Bank	7.50	Lloyds Bank	7.50		
The Co-operative Bank	7.50	Midland Bank	7.50		
Coutts & Co	7.50	NatWestminster	7.50		
Cyprus Popular Bank	7.50	•Rea Brothers	7.50		
Duncan Lawrie	7.50	Royal Bk of Scotland	7.50		
		Scottish Widows Bank	7.50		

OIL IEA SEES NEW THREAT TO PRICES

Russian crude exports weigh on sentiment

By Robert Corzine

A rise in Russian oil exports has emerged as the latest bearish factor to hit crude prices, according to the weekly oil market report released yesterday by the International Energy Agency.

The Paris-based agency, which monitors world energy markets on behalf of the mainly western industrialised countries, said net exports from the countries of the former Soviet Union averaged 3.1m barrels a day in June, the highest level since the break-up of the Soviet Union.

But oil markets yesterday remained focused on the political uncertainty in Nigeria: the bellwether Brent Blend for August delivery was 15 cents up at $13.27 a barrel in late trading on London's International Petroleum Exchange.

The IEA said the recent rise in Russian exports was directly related to attempts by Moscow to squeeze more taxes out of the petroleum sector: "The Russian government is determined to collect taxes, leaving cash-strapped oil companies to turn to high exports for hard currencies."

The agency said Russian exports were rising even as government officials promised the Organisation of Petroleum Exporting Countries that Moscow would do what it could to limit output.

Last month, Opec members and non-Opec producers such as Mexico and Oman agreed a new round of production cuts aimed at reversing the recent price slump.

A senior Russian delegation told Opec ministers at the time that "Russia has a vital stake in ensuring the stability of the oil market", and noted that this year's drop in price "had dire consequences for our economy".

That may be so, but yesterday's figures from the IEA illustrate how individual oil producing states can be forced into seemingly contradictory policy positions when faced with an economic crisis.

It also demonstrates the complex problem facing leading petroleum producers as they try to grapple with a price slump against the backdrop of growing economic instability across the world.

The IEA also warned yesterday that the erosion of bulging oil stocks over the rest of the year might take longer than some expect.

It said large volumes of oil in transit meant that "additional barrels may have to be absorbed in the third, and possibly fourth quarters", before the "exceedingly high level of onshore stocks" can be whittled down.

The agency reported that industry inventories in OECD countries "surged to record levels at the end of May, topping 2.6bn barrels for the first time".

The erosion of bulging oil stocks over the rest of the year might take longer than some expect, the IEA report says

Metals under Asia cloud

MARKETS REPORT

By Kenneth Gooding and Paul Solman

Worries about Asian economies, particularly about Japanese fiscal policy, continued to weigh on base metal prices yesterday.

Copper slipped to a 12-year low of $1,586 a tonne on the London Metal Exchange while the LME's other "flagship" metal, aluminium, fell to $1,286 a tonne, its lowest for four years.

Nickel was at a 4¼-year low of $4,165 a tonne and, according to Alan Williamson, analyst at Deutsche Bank, "following the weak sentiment of recent days, it looks likely to test the 10-year low of $4,030 a tonne seen in October 1993".

Rhona O'Connell, analyst at T. Hoare, points out in the broker's latest Resource Markets review that base metals prices in real terms are as low as they have been for 25 years – and gold is "in the same boat".

She says, however: "Metal prices look to be bouncing along the bottom, though there may be a further small drop in copper and nickel. Although we cannot yet call a new bull market, we look to be close to the end of the bear market."

The weaker yen was blamed by dealers for another slip in gold's price, down $1.55 a troy ounce to $291.45 at the close in London yesterday. There was still confusion about the impact on the market of the European Central Bank's decision to hold 15 per cent of its reserves in gold.

Tony Warwick-Ching at Flemings Global Mining Group pointed out that no indication had been given about what gold price would be used. "At $295 an ounce the ECB takes a relatively modest 690 tonnes. At $35 an ounce it adopts 5,840 tonnes – but we think the current market price is closer to reality."

Cocoa fell on the London International Financial Futures Exchange after failing to hold above £1,100 a tonne. The benchmark September contract finished down at £1,085 a tonne, £14 below Wednesday's close.

The market is keeping a close watch on weather reports from Ivory Coast. The 1997-98 crop is expected to total 1.13m tonnes while early predictions put the 1998-99 harvest at 1.1m tonnes. A clearer picture usually emerges in August when plant survival and growth rates are confirmed.

Coffee also fell slightly, with the September contract down $11 at $1,597 a tonne.

NEWS DIGEST

COPPER

Malaysian demand down 60% in 1998 first half

Malaysia's copper demand shrank about 60 per cent in the first half of 1998 compared with a year earlier, industry officials said. Malaysia imported about 160,000 tonnes of raw copper cathodes in 1997 but one industry executive expected demand to drop at least 30 per cent this year as the full impact of the year-old economic crisis was felt.

"Demand was quite strong in the first half of last year until the regional economic crisis erupted. But demand is going down as the market is now very weak," said an executive.

Malaysia's economy shrank 1.8 per cent in the first quarter of 1998 from a year earlier, the first contraction since the 1985 recession. "The first six months have been very tough for the industry," said a manager at Alpha Industries, a copper products concern. "The downtrend is likely to continue for the rest of the year."

Copper products maker Metrod is facing a 30 per cent loss in business, mainly because of a slowdown in the construction sector which has hurt demand for copper rods. Demand for rods could fall to about 80,000 tonnes this year, from 120,000 tonnes in 1997, officials said. Telephone cable makers are also facing difficulty, with telecommunications companies further cutting back on copper cables in favour of fibre-optics. Reuters, Kuala Lumpur

COCOA

Ghana plant to double capacity

Ghana's state-owned Cocoa Processing Company (CPC) aims to double cocoa bean capacity to 50,000 tonnes by September 2002. CPC plans over five years to gradually phase in the extra capacity at its plant in Tema. Its confectionery business is also to be expanded.

Ghana and Ivory Coast are keen to expand production of cocoa liquor, butter and cake to raise export values and have taken steps to liberalise cocoa marketing. Privatisation plans for CPC in 1995 were halted without explanation after seven foreign companies submitted bids.

CPC's latest plans include a new cocoa deodorising plant along with a pebble plant for making chocolate-coated peanuts – due for installation in 1999.
Reuters, Accra

LONDON METAL EXCHANGE

Turnover figures wrongly stated

The London Metal Exchange said yesterday that the half-year turnover figures it released recently were wrong because of a computer error. The corrected statistics show that activity on the exchange in the first six months was virtually unchanged with turnover this year reaching 26.4m lots against 26.5m in the first half of 1997.

Within that total, futures turnover rose 3.3 per cent, from 24.3m lots to 25.1m, while options turnover fell more than a third, from 2m to 1.3m lots. Aluminium, copper, lead and zinc lots are of 25 tonnes each while those for aluminium alloy are 20 tonnes, for nickel six tonnes and for tin five tonnes.

India drops import plan on signs of sugar surplus

By Kunal Bose in Calcutta

India has abandoned plans to import sugar for distribution through ration shops after predictions that domestic output will leave a surplus of 5m tonnes this year.

Indian sugar production is expected to rise to 12.7m tonnes in 1997-98 (October to September) compared with 11m-11.5m tonnes forecast at the beginning of the season.

The government buys 40 per cent of Indian sugar production to sustain the extensive public distribution system, and has decided to buy an extra 1.2m tonnes from the local factories instead of importing.

"The rally in production is *due to the cane crop in* Maharashtra, which came under a spell of drought, staging a smart recovery as the season progressed," said Op Dhanuka of the Indian Sugar Mills Association.

"The whole of south India produced a lot more sugar than expected. India already has produced 12.57m tonnes of sugar and some factories in the south are still crushing cane."

Traders had already *imported 580,000 tonnes in* anticipation of a shortfall in production. However, a 5 per cent import duty and a countervailing duty of Rs850 ($20) a tonne introduced in April – plus the improvement in domestic production – has put a brake on imports, Mr Dhanuka said.

The Indian sugar industry is calling on the government to increase import duties further to discourage imports. "Imports will disturb the *country's sugar economy* since we are expecting a bumper production of at least 15m tonnes next year," said Mr Dhanuka.

"At Rs74 a 100kg of cane, the crop gives a better return to the farmers than wheat, rice or oilseeds. Unlike in the past years, the factories have seen to it that the cane bills of the farmers are cleared in time. This is an extra incentive for the farmers to grow more cane."

According to the ISMA: "The import duty on sugar is just about half the various taxes the domestic industry invites. There should at least be a level playing field for the Indian producers."

The association has also complained that Pakistan, which has a huge sugar surplus, is granting a subsidy of Rs4 a kg to its producers to encourage exports to India.

● Russia may set import duties of 75 per cent on raw *sugar and 45 per cent on* white to protect national producers. The duties would apply from July 25 1998 to January 1 1999, a trade ministry official said yesterday.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1264-65	1291-92
[illegible]	[illegible]	[illegible]

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	291.7	-1.6	-	-	1	1
Aug	292.5	-1.7	294.5	291.7	34,222	77,816
Oct	294.8	-1.7	295.6	294.0	402	7,859
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	76.50	+1.75	76.50	75.00	39	88
Sep	70.50	+0.60	69.75	68.75	10	149
Nov	72.50	+0.60	72.50	72.00	47	3,605
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SOFTS

■ COCOA LIFFE (10 tonnes; £/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	1055	-15	1069	1060	32	71
Sep	1085	-14	1095	1081	2,030	38,937
Dec	1112	-14	1122	1109	295	41,278
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	63.775	-0.575	64.850	63.700	7,508	41,998
Oct	64.550	-0.350	65.075	64.350	4,033	28,221
Dec	65.925	-0.050	66.125	65.675	1,566	10,868
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

PRECIOUS METALS

ENERGY

PULP AND PAPER

■ PULP CME (USS; 24 air dry tons)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	477.00	-1.00	-	-	4	705
Dec	485.75	-1.25	-	-	-	225
Total					24	694

FUTURES DATA
All futures data supplied by CMS.

Wool from Mallett & Co
Closing auctions before the recess in Australia saw a small offering in Sydney meet with limited competition. Prices fell each day and the northern index quoted by AWEX fell 35 cents to 584 cents. The national indicator was down by 12 cents to 582 cents. With Far Eastern markets for wool undermined by crisis in the region, and currency problems also emerging in South Africa, prospects for demand in the 1998/99 season do not look good. Holidays mean a quieter spell ahead but it is difficult to discern light at the end of what seems to be a very long tunnel.

LONDON TRADED OPTIONS

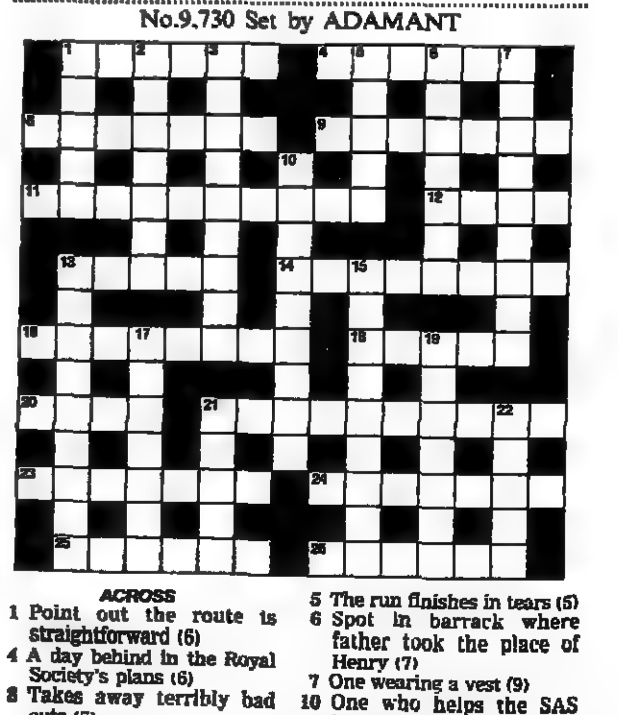
LONDON SPOT MARKETS

INDICES

JOTTER PAD

CROSSWORD

No.9,730 Set by ADAMANT



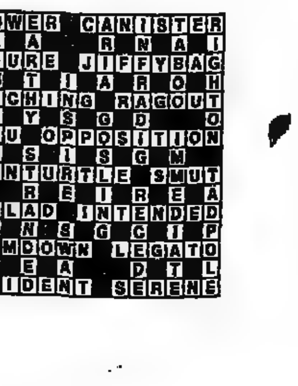
ACROSS

1 Point out the route is straightforward (6)
4 A day behind in the Royal Society's plans (6)
8 Takes away terribly bad cuts (7)
9 Buries outside new confines (7)
11 More than one flight with car seats is negotiable (10)
12 Turn off the lights – the king is sick (4)
13 See about, for example, a poem (5)
14 Enquiries into fashionable pursuits (8)
16 One who negotiates plot with maid possibly (8)
18 He made a drama out of disease in the Borders (5)
20 Class document (4)
21 Historic cycle (10)
23 Part of the charm of golf in essence is its subtlety (7)
24 Join the union again (7)
25 Hidden talent revealed (6)
26 Almost all fashion from America gives one the needle (6)

DOWN

1 Put it down to young girl with appeal (5)
2 Regular cash input to rake (7)
3 Tom, Bill and poor Sly – mass disaster! (9)
5 The run finishes in tears (5)
6 Spot in barrack where father took the place of Henry (7)
7 One wearing a vest (9)
10 One who helps the SAS isn't at risk of being damaged (9)
13 Leader of oil trade diversifying round Iowa (10)
15 Still the question that is sent by word of mouth (9)
17 Radiant cry around bishop (7)
19 Main protection is sell-out for women in motoring organisation (7)
21 Bowl leading batsman? A mistake (5)
22 Counts on the laser treatment (5)

Solution 9,729



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FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (FSA RECOGNISED)

Fidelity Company Funds Ltd

[illegible]

BERMUDA (REGULATED)(**)

[illegible]

GUERNSEY (FSA RECOGNISED)

[illegible]

Royal Bk of Canada O/S Fd Mgrs Ltd - Contd.

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

IRELAND (FSA RECOGNISED)

[illegible]

BT Fund Managers (Ireland) Ltd (a)

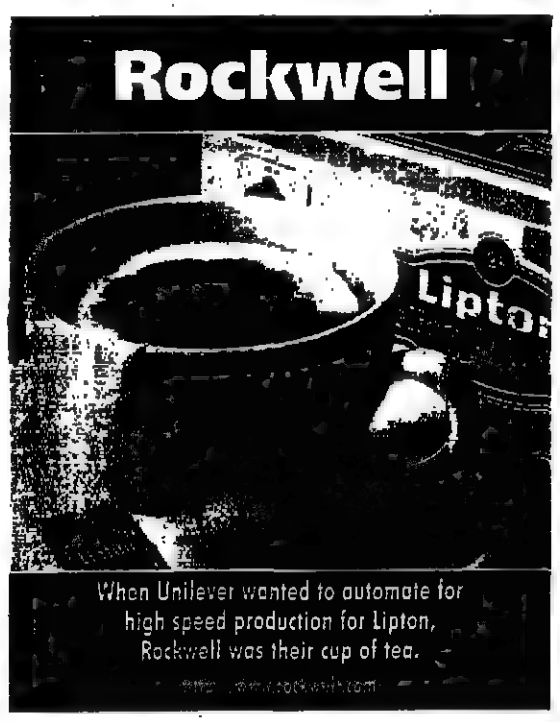
[illegible]

Lazard Investment Funds Ltd - Contd.

[illegible]

Morgan Grenfell Investment Funds Ltd (z)

[illegible]



IRELAND (REGULATED)(**)

[illegible]

Baring Mutual (Ireland) Ltd

Bear Stearns Asset Mgt (Ireland) Ltd

Blackstone Franks Managers Ireland Ltd

Bonifer Invest (Ireland) Ltd

Buchanan Asset Management (Ireland) Ltd

[illegible]

Kim Europe Worldwide Fund

Kims Far East Fund Plc

Kims Korea Fund Plc

Korea Active

Korea Balanced Return Fund

Korea Bond Fund Plc

Korea CB Fund Plc

Korea Capital Growth Fund

[illegible]

The Wanger Investment Company PLC

Warburg Pincus Funds Plc

Yamaichi Samsung Dynamic Korea Fund

[illegible]

ISLE OF MAN (FSA RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (FSA RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

ABSA Offshore Fund Managers (Jersey) Ltd

AIB Govett Management (Jersey) Limited

[illegible]

LUXEMBOURG (FSA RECOGNISED)

[illegible]

FT MANAGED FUNDS SERVICE

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Bank Von Ernst & Cie AG

GT Global

Morgan Stanley Sicav - Contd.

ACM Offshore Funds - Contd.

The Dragon Fund Sicav

Merrill Lynch Asset Management - Contd.

UBS AG - Contd.

General International Limited

Barclays Diversified Portfolio

Barclays Int Funds (Luxembourg)

HSBC Investment Funds Luxembourg SA

Henderson Management SA

INVESCO International Limited

Jupiter Tyndall Global Fund

Liberty Newport World Portfolio

Lloyds Bank Luxembourg

Lombard Odier Invest

Mercury Asset Management

Morgan Stanley Sicav

Fleming Group

Foreign & Colonial Emerging Markets Ltd

Foreign & Colonial Portfolios Fd Sicav

Fidelity Funds

Credit Agricole Indosuez

Gartmore

LUXEMBOURG (REGULATED)(**)

ACM Offshore Funds

Global Funds Management S.A.

Goldman Sachs

Fleming Group

Lloyds Bank Luxembourg

Merrill Lynch Asset Management

Templeton Emerging Asia

Templeton Global Strategy Funds

Sun Life Global Management Ltd

Thornton Selection Fund SICAV

OFFSHORE INSURANCES

Aberdeen International Ltd

Albany International Assurance Ltd

Equity Fund Managers

Friends Provident International

Professional Investment Consultants

Royal & Sun Alliance Intl Financial Services

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FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

	Selling Price	Buying Price	+ or -	Yield Gross
Royal Skandia Life Assurance Ltd (z)				
[illegible]				
BEA Associates				
[illegible]				
BNP				
[illegible]				
Julius Baer Bank & Trust Co Ltd				
Liquibaer	$2760	2761		
[illegible]		$13.11		
Bahia Fund				
[illegible]				
Banca Reig, S.A. (Principality of Andorra)				
Reig European Eq Fd Jul 8	Ecu110.5117			
[illegible]				
Reig Spanish Equity Jul 8	Pta1400,222			
Banco do Brasil—BB Fund				
[illegible]				
Banc Internacional D'Andorra Banca Mora				
[illegible]				
Bank of America				
[illegible]				

OTHER OFFSHORE FUNDS

[illegible]

● MANAGED FUNDS NOTES

[illegible]

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	+ or -	52 week high	52 week low	Volume '000s	Yld Gr's	P/E
Allied Domecq	‡N	552xd	-6	646	414	3,567	4.5	13.5
Bulmer (HP)		350	—	485½	295	8	5.5	ф
Burn Stewart	†	14½	—	53½	12½	11	14.7	–
Diageo		[illegible]	+8	779	[illegible]	6,225	3.0	33.1
Glenmorangie A		899	—	975½	755	–	2.0	20.2
B		957½	[illegible]	1090	840	–	0.9	44.1
Highland	†	280½	+2	332	258	114	4.0	13.0
5¼pc Cv Sb Bd		98		99½	85½	–	6.0	–
Kirin Y		530¼	-18¼	805¼	416½	–	1.0	–
Matthew Clark		282½	+6	788	151	182	8.4	7.6
Merrydown		43½	[illegible]	74½	37½	–	–	ф
Seagram C$		£25¼	[illegible]	£28⅛	£18⅞	–	1.1	–

BANKS, RETAIL

[illegible]

BREWERIES, PUBS & REST

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

CONSTRUCTION

[illegible]

CONSTRUCTION - Continued

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ENGINEERING

[illegible]

ENGINEERING - Continued

[illegible]

ENGINEERING, VEHICLES

[illegible]

ENGINEERING, VEHICLES - Continued

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

FOOD PRODUCERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HOUSEHOLD GOODS & TEXT

[illegible]

HOUSEHOLD GOODS & TEXT - Continued

[illegible]

INSURANCE

[illegible]

INSURANCE - Continued

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Continued

[illegible]

INV TRUSTS SPLIT CAPITAL

[illegible]

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LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Continued

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MEDIA - Continued

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]

PROPERTY - Continued

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Continued

[illegible]

SUPPORT SERVICES

[illegible]

SUPPORT SERVICES - Continued

[illegible]

TELECOMMUNICATIONS

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

TRANSPORT - Continued

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Continued

[illegible]

The Alternative Investment Market, designed primarily for small companies, is regulated by the London Stock Exchange but has less demanding rules than the SE Official List.

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	low	Volume '000s	Yld Gr's	P/E
Anglo Am Ind R		[illegible]	[illegible]	[illegible]	[illegible]	–	5.2	7.1
Barlow R		[illegible]	[illegible]	[illegible]	[illegible]	–	[illegible]	[illegible]
Gold Flds Prop R		[illegible]	[illegible]	[illegible]	[illegible]	–	[illegible]	[illegible]
SA Breweries R		[illegible]	[illegible]	[illegible]	[illegible]	–	[illegible]	[illegible]
Standard Bank R		[illegible]	[illegible]	[illegible]	[illegible]	–	[illegible]	–
Tiger Oats		[illegible]	–	[illegible]	[illegible]	–	[illegible]	12.9
Tongaat-Hulett R		512	+20½	780	413	–	2.7	14.2

TRADED INDEX SECURITIES

	Notes	Price	+ or -	52 week high	low	Volume '000s	Yld Gr's	P/E
FTSE 100 TRANS		[illegible]	–	[illegible]	6472	–	–	–

GUIDE TO LONDON SHARE SERVICE

Prices and trading volumes for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. For FTSE 100 index constituents and reserves contained in the Trading Volume table on the LSE page, last trade prices at or prior to 4.30pm market close are shown, as these shares are now traded on the Stock Exchange Electronic Trading System (SETS). Highs and lows are based on intra-day mid-prices/last trades over a rolling 52 week period.

Trading Volumes are end of day accumulated totals. Dashes indicate that either no trade has taken place during the day or the data is not available for those particular securities. Volumes shown for foreign securities are based on London trading.

Where stocks are denominated in currencies other than sterling this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Earnings used in calculations are based on IIMR 'Headline' Earnings formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes.
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ф Figures or report awaited
- ♥ Rule 2 (1a)(c) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available: see details below.
- ‡‡ Rule 4.2(a) Irish incorporated dual-listed companies.
- # Price at time of suspension
- ‚ Indicated dividend yield after pending scrip and/or rights issue
- ◆ Merger bid or reorganisation in progress
- § Forecast dividend yield, p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme

a Yield based on anticipated dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e also based on latest annual earnings
u Forecast or estimated annualised dividend yield, p/e based on previous year's earnings
E Dividend yield etc have a special payment
F Yield based on prospectus or other official estimates for 1998-99
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1997
K Yield based on prospectus or other official estimates for 1998
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1997-98.
R Dividend is paid in whole or part as a FID (Foreign Income Dividend)
S Forecast dividend yield, p/e based on prospectus or other official estimates.
U Pro forma figures.
Z Dividend yield to date.

Abbreviations:
ǂ ex dividend
ǂ ex scrip issue
ǂ ex rights
ǂ ex all
ǂ ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1495 a year for each security shown, subject to the Editor's discretion.

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FT Company Focus / Focus Plus

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An international service is available for callers outside the UK, annual subscription £250 stg. Please consult your financial adviser and verify financial pricing information obtained via FT Cityline before making any investment decision.

All access to and use of FT Cityline is subject to FT Cityline terms and conditions - your copy will be sent free on request. Call 0171 873 4378 for more information on FT Cityline.

The share prices printed on these pages are also available on the internet at http://www.FT.com.

LONDON STOCK EXCHANGE

Footsie's winning run ends despite rate relief

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

Just as Wall Street's strength in recent sessions has propped up a London equity market ridden with anxiety about a possible rise in UK interest rates, so US influences were partly responsible for a reversal in UK stocks yesterday.

Wall Street's opening decline was prompted by a profit warning issued by DuPont, one of the US market's leading companies, which saw the Dow Jones Industrial Average off more than 50 points early in the US trading session.

That eroded much of the confidence boost given to London stocks by news that the Bank of England's monetary policy committee had decided to leave interest rates on hold.

The committee's no-change decision helped stabilise the equity market, only for sentiment to take a dip as US stocks deteriorated.

Over the session, the FTSE 100 index moved in a near 100-point arc. At its worst, the index posted a 61.5 decline, while the day's best level was a rise of more than 34 points.

The day's events saw the sequence of six winning performances by the index grind to a halt, with Footsie dropping below the hard-won 6,000 level, ending 39.9 down at 5,969.7.

But the abrupt about-turn in the leaders did not induce a similar reversal in the second-liners where the FTSE 250 racked up its seventh consecutive gain to close 11.3 ahead at 5,633.3, although closing below the session high of 5,638.8.

Once again the small-cap stocks were largely ignored – the FTSE SmallCap index languished throughout the day, closing a net 2.7 off at 2,586.8.

Dealers said the market's uptick on the interest rate decision, which saw an 8.8 loss in the FTSE 100 transformed into a 20-point gain within 30 minutes of the announcement, had attracted a flurry of institutional cash into the market.

But once the initial burst of enthusiasm had worn off, the relentless flow of profit-taking, a feature of the market recently once the front-line index crosses the 6,000 mark, then took over.

"In the past it has always been wise to lock in profits above 6,000. Now there are additional pressures affecting sentiment, currencies, earnings downgrades and the Asian crisis, that still looks to be a wise move," said one marketmaker.

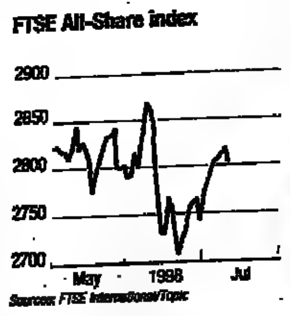
He said the market remained unconvinced that the June increase in interest rates to 7.5 per cent was the last in the current cycle, although one more increase in the short term could well prove to be so. Short sterling futures rose sharply yesterday, indicating reduced nervousness about a rate rise.

Despite the SmallCap's latest muted showing, there was a handful of exceptional performers among the market's smaller stocks, notably Creative Publishing, which attracted an agreed bid from Hallmark of the US. And retailer Brown & Jackson produced a bullish trading statement.

There were more profit warnings in the sector, however, with Airflow Streamlines, Critchley and Telspec all severely damaged.

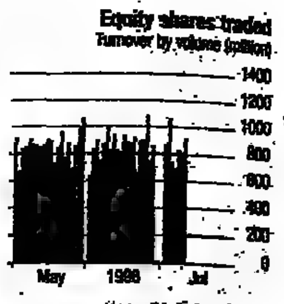
Turnover at 6pm reached 931.1m shares, of which 50 per cent was in non-Footsie stocks.

FTSE All-Share index



Sources: FTSE International/Topic

Equity shares traded Turnover by volume (million)



Indices and ratios

FTSE 100	5969.7	−39.9	FT 30	3904.5	−20.8
FTSE 250	5633.3	+11.3	FTSE Non-Fins p/e	23.39	23.57
FTSE 350	2878.1	−14.7	FTSE 100 Fut Sep	3018.0	−34.0
FTSE All-Share	2802.80	−13.60	10 yr Gilt yield	5.77	5.81
FTSE All-Share yield	2.80	2.79	Long gilt/equity yld ratio	2.04	2.05

Best performing sectors

1 Construction +1.2
2 Life Assurance +1.1
3 Chemicals +0.9
4 Other Financial +0.8
5 Alcoholic Beverages +0.8

Worst performing sectors

1 Gas Distribution −3.0
2 Telecommunications −2.0
3 Extractive Industries −1.8
4 Electronic & Elect Equip −1.7
5 Pharmaceuticals −1.2

Burmah steaming ahead

COMPANIES REPORT

By Peter John and Joel Kibazo

One of the few pleasures afforded hard-pressed analysts is the potential for amusing headlines on research notes.

Yesterday BT Alex Brown made its pitch in a buy note on Burmah Castrol, the lubricants, chemicals and fuels group. Highlighting the oil company's potential under chief executive Tim Stevenson, the broker has set a £13 price target on a *stock it calls "Stevenson's Rocket"*.

"Burmah is trading at a 13-year low relative on every major valuation parameter," it says. "This valuation ignores the potential benefits of the most significant refocusing of strategy since the early 1980s, underway under new chief executive Tim Stevenson."

The shares moved forward 20 to £11.25 and rival analysts said Alex Brown had a valid point. But some seasoned sector specialists were reminded of Burmah's attractions to lovers of wit and repartee.

A couple of years ago a big note on the company entitled "Barbarians at the Gates of Swindon" received general acclaim for presentation. However, the price target of £20 proved to have more punch than even Attila the Hun could handle.

Takeover talk returned to Willis Corroon sending the stock to a new 12-month high on unusually heavy turnover.

The company recently reported a 6 per cent fall in first-quarter 1998 profits and signalled that margins in the highly competitive world of insurance broking may get worse before they get better. Nevertheless, the shares moved up 12 to 177p with 1m shares changing hands.

Dealers latched on to rumours that Aon of the US was poised to make a move. Aon has previously been linked with Sedgwick.

Consolidation within the sector has been anticipated for some time. However, analysts were sceptical about yesterday's story. One said: "I've just put the phone down on Willis and they denied any awareness."

The move to leave UK interest rates unchanged combined with a broker's recommendation to drive retailer Debenhams sharply ahead in brisk trading.

By the close the shares had gained 20½ to 330p: volume rose to 5m.

Specialists expect the move on interest rates to boost spending in the group's stores while switching from Sears ahead of the demerger of Selfridge, its premier store, a week on Monday, also helped drive the shares forward.

Morgan Stanley Dean Witter yesterday reiterated its "buy" stance on the shares. Analyst Julie Ramshaw believes Debenhams has been unfairly hit by the negative sentiment that has surrounded the retailing sector in the last few weeks.

Turning to Sears, she said: "We do not see value in Sears. Investors do not need to buy this stock to get exposure to Selfridge. I expect a bumpy ride for Selfridge after the demerger."

SK fights back

SmithKline Beecham resisted the rout in internationally traded pharmaceuticals stocks as investors responded to perceived US pressure.

One senior chart-based analyst said the stock had reached a "Golden Cross", a situation in which the 50-day and 200-day moving averages collide. Chartists see it as a signal for a period of sustained and aggressive short-term buying that, in SmithKline's case, was seen as taking the stock to 900p.

The prospect of US investors reversing their 18-month selling of the stock and rebuilding their weightings from the current 25 per cent puts pressure on UK funds.

And gains over the past few days have been accompanied by heavy turnover. Yesterday, the shares were up 10 at one stage and ended comparatively firm against the market and sector. They closed only 2½ off at 782p with volume of 17m.

In comparison, Glaxo Wellcome fell 25 to £18.13 and Zeneca toppled 62 to £24.70. Zeneca responded to the profits warning from DuPont of the US. Both companies are heavily exposed to agrochemicals.

Barclays was a strong performer ahead of the bank reporting season which begins in a fortnight.

Apparently, one institution was reminded that several senior executives are to leave within the next 12 months and decided that it cleared the path for consolidation. There was active buying leading to turnover of 6.1m shares and Merrill Lynch was understood to have been influential in the stock. The shares ended the day 53 higher at £17.88.

Brent International jumped 13 to 116½p following the announcement of a strategic review which includes the disposal of two core businesses.

PPL Therapeutics, the biotechnology company that cloned Dolly the sheep, hit a new 52-week low. The shares shrugged off news that preliminary results from the first Phase II study of its treatment for cystic fibrosis patients showed the product is safe and well-tolerated. They fell 5 to 162½p.

Readicut International, the household textiles, carpeting and yarn company which announced a full-year loss of £28.4m a month ago, was very heavily traded. Two blocks of 10m shares were traded at 38½p a share. The underlying stock closed unchanged at 40½p.

Orange blues

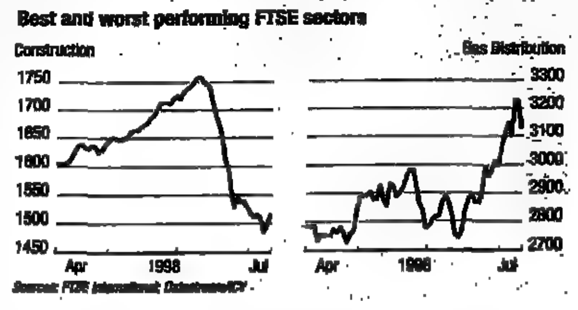
The tide looked to be turning for mobile phones operator Orange, Footsie's best performer this year, after a broker suggested both the stock and the sector were fully valued.

The shares fell through the 700p mark, closing 36¼ or 5.1 per cent off at 670p, the worst performer in the Footsie. It was closely followed by rival Vodafone which surrendered 38 to 778p in trade of 13m.

A note from Henderson Crosthwaite on valuations said: "We remain concerned the UK cellular networks are becoming fully valued. In our view the re-rating of mobile stocks has paid too much attention to bullish long-term penetration projections and not enough to medium-term price and regulatory pressures."

Among the individual stocks, Henderson says, "We find it increasingly hard to come to terms with Orange's valuation." The broker downgraded its current year loss forecast from £80m to £80m "to reflect the increased cost of subscriber acquisition".

Best and worst performing FTSE sectors



Source: FTSE International; Datastream/ICV

FT 30 INDEX

	Jul 9	Jul 8	Jul 7	Jul 6	Jul 3	Yr ago	*High	*Low
FT 30	3904.5	3925.3	3932.8	3896.4	3896.9	3037.3	3920.3	3382
Ord. div. yield	2.79	2.78	2.83	2.85	2.86	3.82	4.22	2.79
P/E ratio net	23.99	24.12	24.30	24.13	24.12	18.31	26.41	15.80
P/E ratio nil	23.89	24.02	24.08	23.92	23.91	18.21	26.19	15.71

FT 30 since compilation: high 3920.3 11/05/98: low 49.4 26/06/40. Base Date: 1/7/35.

FT 30 hourly changes

Open	9	10	11	12	13	14	15	16	High	Low
3925.3	3931.5	3923.2	3928.1	3915.0	3931.3	3914.7	3905.5	3902.6	3937.8	3892.0

STOCK MARKET TRADING DATA

	Jul 9	Jul 8	Jul 7	Jul 6	Jul 3	Yr ago
SEAQ bargains	64,974	61,796	66,759	58,649	53,000	49,160
Equity turnover (£m)†	-	3391.4	2876.7	2244.4	2924.8	2263.9
Equity bargains†	-	49,841	63,034	48,605	45,205	52,127
Shares traded (m)†	-	823.4	702.2	840.3	801.2	721.7
Total market bargains‡	-	63,005	66,981	58,628	55,202	-
Total turnover (£m)‡	-	4748.4	4182.2	3910.7	4135.1	-
Total shrs traded (m)‡	*931.1	1081.8	998.4	918.1	1043.8	-
Tradepoint turnover (£m)	17.7	27.7	29.2	19.2	28.9	4.0
Tradepoint shrs traded(m)	8.2	9.7	9.7	5.9	10.0	0.4

†Excluding intra-market and overseas turnover but including Crest turnover. *UK only total at 6pm. ‡ UK plus intra-market turnover

London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	643	Total Highs	89	Total contracts	38,195
Total Falls	824	Total Lows	88	Calls	20,072
Same	1,518			Puts	18,123

Jul 9 *Data based on Equity shares listed on the London Share Service

FUTURES AND OPTIONS

FTSE 100 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	6070.0	6018.0	-24.0	6103.0	6002.0	27725	178031
Dec	6125.0	6113.0	-26.0	6125.0	6125.0	2530	1349
Mar	6234.0	6189.0	-26.0	6234.0	6234.0	340	630

FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	-	5700.0	+10.0	-	-	0	[illegible]

FTSE 100 INDEX OPTION (LIFFE) (*5969) £10 per full index point

	5800 C	5800 P	5850 C	5850 P	5900 C	5900 P	5950 C	5950 P	6000 C	6000 P	6050 C	6050 P	6100 C	6100 P	6150 C	6150 P
Jul	184½	17½	140½	26	113¾	39½	81½	58	54	82½	38¾	114½	18½	154½	10½	[illegible]
Aug	291½	99½	254½	112½	224½	132½	195	152½	164½	173½	139	198½	117	228½	94½	[illegible]
Sep	380	150	327½	166	298	185	264½	204½	233	223½	203	245½	176½	274	150	306½
Oct	495	185	383	201	358	218	329½	240½	302	263½	274½	287	247	311	219½	339½
Dec†	546½	228			481½	290			414	355½			356½	351		

Calls 2,084 Puts 1,084

EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

	5775 C	5775 P	5825 C	5825 P	5875 C	5875 P	5925 C	5925 P	5975 C	5975 P	6025 C	6025 P	6075 C	6075 P	6125 C	6125 P
Jul	212	15	166½	22½	130	33	95	48	65½	68½	41½	94½	25	129	13	168½
Aug	308½	93½	273½	108	240	124	208	141½	178	162½	152	184½	126½	209	105	236½
Sep	374½	135	340½	150½	307	168	275	184½	246½	204	219	225½	193½	250	168½	274
Dec			514	235½			451	269			390	305			334½	340½
Mar†			645	298½			582	331½			521½	365½			465	404½

Calls 7,156 Puts 6,182 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1998 High	1998 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
-	F.P.	8.77	67½	[illegible]	Adam	65½		-	-	-	17.8
§100	F.P.	82.8	103½	100	Advance Dev Mkts	103½		-	-	-	-
§100	F.P.	38.0	108½	103½	†Anglo Siam Oil	107½		-	-	-	-
§	F.P.	4.25	29½	12	[illegible]	18	-½	-	-	-	-
[illegible]											

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FTSE GOLD MINES INDEX

	Jul 9	% chg on day	Jul 7	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (27)	1016.58	-3.6	1049.52	1365.02	3.31	-	1635.05	881.32
Regional Indices								
Africa (10)	1086.86	-4.9	1143.41	1242.75	4.42	41.17	1538.29	914.31
Australasia (7)	1189.67	-0.7	1197.91	1838.70	2.77	7.80	1803.85	923.83
North America (10)	871.81	-1.7	888.91	1283.49	1.39	41.68	1374.15	684.68

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FTSE Actuaries Share Indices The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	Jul 9	Day's chge%	Jul 8	Jul 7	Year ago	Gross yield%	Net yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	5969.7	-0.7	6009.6	6003.4	4798.8	2.75	2.32	2.03	23.41	81.57	2613.67
FTSE 250	5633.3	+0.2	5622.0	5603.3	4400.6	2.96	2.50	1.97	21.44	79.47	2420.01
FTSE 250 ex Inv Tr	5677.7	+0.2	5663.7	5642.7	4406.7	3.04	2.58	[illegible]	[illegible]	[illegible]	[illegible]
FTSE 350	2878.1	-0.5	2892.8	2888.6	2285.0	2.79	2.35	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]											

FTSE Actuaries Industry Sectors

[illegible]

Hourly movements

[illegible]

TRADING VOLUME

Major Stocks yesterday.

[illegible]

FTSE INTERNATIONAL

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Jul 9 / Sch)

BELGIUM/LUXEMBOURG (Jul 9 / Frs.)

CZECH REP (Jul 9 / Koruna)

DENMARK (Jul 9 / Kr)

FINLAND (Jul 9 / Mk)

FRANCE (Jul 9 / Frs.)

GERMANY (Jul 9 / Dm.)

GREECE (Jul 9 / Drachma)

ITALY (Jul 9 / Lire)

NETHERLANDS (Jul 9 / Fls.)

NORWAY (Jul 9 / Kroner)

POLAND (Jul 9 / Zloty)

PORTUGAL (Jul 9 / Escudo)

SPAIN (Jul 9 / Pta.)

SWEDEN (Jul 9 / Kronor)

SWITZERLAND (Jul 9 / Frs.)

TURKEY (Jul 9 / TK Lira)

PACIFIC

JAPAN (Jul 9 / Yen)

AUSTRALIA (Jul 9 / Aus$)

HONG KONG (Jul 9 / H.K.$)

INDONESIA (Jul 9 / Rupiah)

MALAYSIA (Jul 9 / MYR)

NEW ZEALAND (Jul 9 / NZ $)

SINGAPORE (Jul 9 / S$)

SOUTH KOREA (Jul 9 / Won)

TAIWAN (Jul 9 / TW $)

THAILAND (Jul 8 / Baht)

AMERICAS

CANADA

TORONTO (Jul 9 / Cdn $) 4 pm close

MONTREAL (Jul 9 / Cdn $) 4 pm close

MEXICO (Jul 9 / Peso) 12:30 pm

AFRICA

SOUTH AFRICA (Jul 9 / Rand)

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

Emerging markets: IFC Investable indices

4 pm close July 9

NEW YORK STOCK EXCHANGE PRICES

[illegible]

- X - Y - Z -

1998 High	Low	Stock	Div	Yld %	P/E	Vol 100s	High	Low	Close Price	Chng
115	66⅛	Xerox	1.44	1.3	58	7400	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	45½	Xtra Corp	0.88	1.4	18	90	[illegible]	61½	[illegible]	[illegible]
[illegible]	23½	Yankee Eg	1.36	5.8	17	37	[illegible]	[illegible]	24½	[illegible]
[illegible]	34½	York In	0.48	1.0	41	1580	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	Zapata	0.28	1.6	43	21376	[illegible]	17	17¼	[illegible]
[illegible]	34½	Zenith Nat	1.00	3.6	17	113	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	7	Zenix Inc	0.73	9.8		85	[illegible]	7½	[illegible]	[illegible]
[illegible]	25	Zero	0.12	0.4	18	227	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	11	ZweigFdUp x	1.24	10.2		347	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	8½	Zweig Totl x	0.84	9.6		1073	[illegible]	[illegible]	[illegible]	[illegible]

Price data supplied by Extel, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1998. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Volume figures are unofficial.

d-new yearly low. P/E price-earnings ratio. vol- volume. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
‡ Dealings suspended.

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هكذا من الأصل

GLOBAL EQUITY MARKETS

US INDICES

Dow Jones	Jul 8	Jul 7	Jul 6	1998 High	1998 Low	Since compilation High	Since compilation Low
Industrials	9174.97	9085.04	9091.77	9211.84 (13/5)	7580.42 (9/1)	9211.84 (13/5/98)	41.22 (8/7/32)
Home Bonds	105.19	105.17	105.27	105.48 (15/1)	104.42 (11/5)	105.48 (15/1/98)	54.99 (1/10/81)
Transport	3568.12	3587.91	3555.88	3686.02 (16/4)	3104.36 (9/1)	3686.02 (16/4/98)	13.23 (8/7/32)
Utilities	292.85	292.73	295.48	295.49 (6/7)	262.58 (9/1)	295.40 (6/7/98)	10.53 (8/7/32)

DJ Ind. Day's High 9184.44 (9100.81) Low 9084.30 (9007.11) (Theoretical)
Day's High 9201.87 (9100.65) Low 9041.70 (9001.84) (Actual)

Standard and Poors	Jul 8	Jul 7	Jul 6	1998 High	1998 Low	Since compilation High	Since compilation Low
Composite‡	1166.38	1154.66	1157.33	1166.38 (8/7)	927.69 (9/1)	1166.38 (8/7/98)	4.40 (1/6/32)
Industrials‡	1362.23	1341.11	1345.47	1362.23 (8/7)	1077.46 (9/1)	1362.23 (8/7/98)	3.52 (30/6/32)
Financial‡	148.72	142.88	142.43	148.72 (8/7)	110.65 (9/1)	148.72 (8/7/98)	7.13 (4/0/74)
Others							
NYSE Comp.	594.35	589.78	590.82	594.35 (8/7)	487.47 (9/1)	594.35 (8/7/98)	4.64 (25/4/42)
Amex Comp	725.65	727.96	725.12	783.67 (22/4)	646.41 (12/1)	783.67 (22/4/98)	524.20 (16/7/96)
NASDAQ Cmp	1935.39	1908.11	1908.47	1935.39 (8/7)	1503.22 (9/1)	1935.39 (8/7/98)	54.87 (31/10/74)
Russell 2000	459.87	459.04	459.97	491.41 (21/4)	418.80 (12/1)	491.41 (21/4/98)	123.39 (7/12/93)

RATIOS

	Jun 28	Jun 19	Jun 12	Year ago
Dow Jones Ind. Div. Yield	1.80	1.84	1.81	1.67
	Jul 8	Jul 1	Jun 24	Year ago
S & P Ind. Div. yield	1.26	1.27	1.28	1.55
S & P Ind. P/E ratio	32.41	32.06	31.73	24.91

US DATA

MARKET ACTIVITY

Volume (million)	Jul 8	Jul 7	Jul 6
NYSE	607.230	630.240	514.730
Amex	24.441	28.221	21.895
NASDAQ	840.850	813.475	696.006

NYSE	Jul 8	Jul 7	Jul 6
Issues Traded	3,510	3,509	3,528
Rises	1,736	1,536	1,725
Falls	1,215	1,476	1,287
Unchanged	557	497	598
New Highs	138	175	182
New Lows	83	77	55

NYSE TRADING ACTIVITY

Volume : 607,230,000

ACTIVE STOCKS Wednesday	Stocks traded	Close price	Day's change
Compaq	9,419,900	29⅝	+⅞
TimeW	9,348,100	89⅞	+4¾
RJR Nb	8,578,400	22¾	−1⅛
PhMorr	8,017,100	38⅛	−1⅝
AT&T	4,669,000	57⅞	+1⅛
AmOnLine	3,918,900	108⅛	−⅜
Citicp	3,832,100	171¾	+11⅛
Micrin	3,538,400	32	−2⅝
ChaseM	3,470,300	74⅛	−⅛
MicroTech	3,449,000	27¼	+½

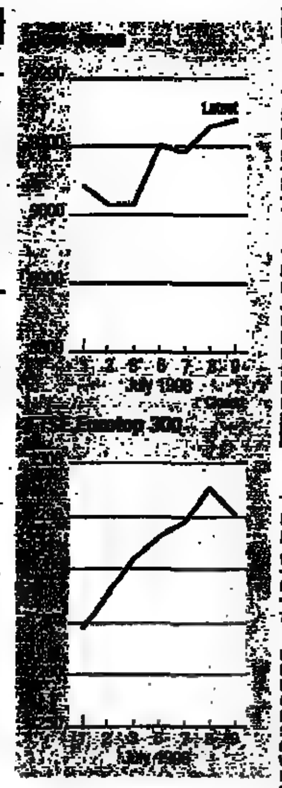
BIGGEST MOVERS Wednesday	Close price	Day's change	Day's chge %
Ups			
WDigital	12⅞	+1⅜	+12.2
DSPComl	14⅞	+1⅛	+8.2
IkonOS	14⅞	+1⅛	+7.7
Lityind	24¾	+1⅞	+7.4
Downs			
BrandT	14¾	−1⅛	−6.8
StarlCom	42¾	−2⅝	−5.8
Mircia	51⅞	−2⅞	−5.4
FoxMt	19	−1⅛	−5.3

NASDAQ TRADING ACTIVITY

Volume : 840,850,000

ACTIVE STOCKS Wednesday	Stocks traded	Close price	Day's change
Intel	19,874,700	78¼	+3
Netscp	14,928,700	36¾	+¼
DellCmp	14,582,100	95½	+5⅛
WrldCm	13,733,900	50¼	+⅝
Yahoo	13,084,700	188	−3
AppMat	8,944,000	30⅛	−1⅛
Amz.com	8,079,300	109	−13¾
MicsR	8,574,600	110	+2⅛
Lycos	7,789,700	79	−6
AppleC	7,646,300	38¼	+⅝

BIGGEST MOVERS Wednesday	Close price	Day's change	Day's chge %
Ups			
Life Tech	38⅛	+7⅞	+24.0
Afymix	27	+3⅜	+14.3
Innovex	15⅝	+1⅞	+14.0
LabratRdy	36¼	+4	+12.3
Downs			
Hchbgr	19⅛	−1⅞	−11.4
Amz.com	109	−13¾	−10.7
Vantive	11⅝	−1⅜	−10.1
UsWeb	26¼	−3⅝	−9.2



JAPAN

	Jul 9	Jul 8	Jul 7	1998 High	1998 Low	Since compilation High	Since compilation Low
Nikkei 225	16146.85	16530.97	16418.28	17264.34	14664.44	38915.9	85.25

Day's high: 16402.91, Day's low: 15370.08.

TOKYO TRADING ACTIVITY

Volume : 357,000,000

ACTIVE STOCKS Thursday	Stocks traded	Close price	Day's change
Yuasa	13,269,000	413	+47
NpSti	12,108,000	259	−6
LgTrCr	9,902,000	59	−5
JoSowkl	8,000,000	189	+19
Mitsby	6,029,000	535	+5
MitsuS	5,561,000	641	−26
IshiwS	5,450,000	600	−100
SumiMt	4,691,000	220	−6
KawSt	4,101,000	259	−18
DaiwaSc	4,062,000	614	−6

BIGGEST MOVERS Thursday	Close price	Day's change	Day's chge %
Ups			
Yuasa	413	+47	+12.8
JoSowkl	189	+19	+11.2
NickCp	185	+9	+5.1
NpFlour	342	+15	+4.6
Downs			
IshiwS	600	−100	−14.3
Tohhana	77	−8	−9.4
YrkBen	3170	−310	−8.9
Daiiye	157	−15	−8.7

FRANCE

	Jul 9	Jul 8	Jul 7	1998 High	1998 Low	Since compilation High	Since compilation Low
CAC 40	4319.18	4339.91	4353.09	4530.91	2862.54	4530.91	984.61

Day's high: 4363.22, Day's low: 4301.69.

PARIS TRADING ACTIVITY

Volume : 386,018,570

ACTIVE STOCKS Thursday	Stocks traded	Close price	Day's change
SmcLy	1,316,885	1082	+36
Axa	915,748	753	+17
Usinor	882,503	87.95	−2.05
RhonPA	859,747	335	−5
Alctel	853,175	1360	−4
Vivendi	720,149	1394	+42
Rhodia	681,636	171.3	−8.4
BNP	573,704	525	−15
Alstom	580,892	197	−4
FrTele	527,985	411	−6.8

BIGGEST MOVERS Thursday	Close price	Day's change	Day's chge %
Ups			
Atos	1639	+107	+7.0
Dilkus	148.9	+7.9	+5.6
Clubmd	567	+27	+5
CrLyCl	758	+26	+3.6
Downs			
Rhodia	171.3	[illegible]	[illegible]
PeuhoyA	245	−11	−4.3
Tchnip	763	[illegible]	−3.9
UsAsFd	942	−38	−3.9

GERMANY

	Jul 9	Jul 8	Jul 7	1998 High	1998 Low	Since compilation High	Since compilation Low
DAX	5996.77	6013.14	5960.98	6013.14	4087.28	6013.14	931.18

Day's high: 6052.13, Day's low: 5960.55.

FRANKFURT TRADING ACTIVITY

Volume : (u)

ACTIVE STOCKS Thursday	Stocks traded	Close price	Day's change
BASF	892,079	92.4	+1.8
Bayer	798,560	92.15	−2.35
Laltin	780,458	53.85	−1.45
Cmzpbk	763,298	67.75	+0.1
Daimlr	738,796	182.4	+0.4
Siemns	669,811	104.85	−1.05
Dt Bk	626,209	148.3	+0.7
Veba	535,278	112.5	−2.25
DradBk	532,480	96.7	+1.8
Dt Tel	521,295	53.88	+0.05

BIGGEST MOVERS Thursday	Close price	Day's change	Day's chge %
Ups			
AsbMuRg	234	+17	+7.8
AachMuenRr	230	+16	+7.5
Dt Bab	138.5	+8.7	+6.7
CoMnz	224	+12.5	+5.9
Downs			
HorBrok	89	−6	−6.7
Fresenius	333	−19	−5.4
Horten	232	−13	−5.3
MetalRbD	602	−31	−4.9

UK

	Jul 9	Jul 8	Jul 7	1998 High	1998 Low	Since compilation High	Since compilation Low
FTSE 100	5969.7	6009.6	6003.4	6106.80	5068.80	6106.8	986.9

Day's high: 6043.8, Day's low: 5948.1.

LONDON TRADING ACTIVITY

Volume : 931,100,000

ACTIVE STOCKS Thursday	Stocks traded	Close price	Day's change
Tesco	25,051,590	193	−1
Daniels (S)	23,003,830	46½	
Headlcat Intl	20,196,840	40½	
Centrica	18,891,170	104¼	+¾
S'tdne Bchm	17,548,510	782	−2½
Asda	16,041,440	205¾	+1½
Dans Pat	13,612,496	15¾	−¾
Lloyds TSB	13,575,550	863	+1
Vodafone	13,470,140	778	−36
Stim Electric	12,867,560	572	−5

BIGGEST MOVERS Thursday	Close price	Day's change	Day's chge %
Ups			
Creative Publ	227	+67½	+33.9
RMS Comms	59	+11½	+24.2
Elec Retail	230	+37½	+19.5
Brown & Jack	64½	+10	+18.4
Downs			
Network Tech	97½	−19	−17.1
Telspec	247½	−37½	−13.2
Airflow Strms	162½	−22½	−12.2
SMCC	124	−15½	−11.1

INDEX FUTURES

S&P 500	Open	Latest	Change	High	Low	Est. vol.	Open int.
Sep	1175.00	1173.70	−1.20	1176.90	1173.40	90,696	351,440
Dec	–	1187.70	–	–	–	605	14,081

Nikkei 225	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	16510.0	16420.0	−80.0	16510.0	16340.0	24,804	205,583
Dec	16500.0	16350.0	−150.0	16500.0	[illegible]	580	13,811

Open Interest figures for previous day.

CAC-40 (200 x index)	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Jul	4369.5	4332.0	−18.0	4370.0	4314.5	35,650	161,176
Aug	–	4344.0	−18.0	–	–	–	5,458

DAX	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Sep	6075.0	6048.5	−20.5	6087.0	6019.0	20,777	74,051
Dec	6114.0	6092.5	−20.0	6131.0	6092.5	225	2,060

OMX	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Jul	815.00	807.00	−5.75	816.00	803.50	12,796	111,984
Aug	817.50	809.00	−4.50	819.00	808.00	1,156	14,244

SOFFEX	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Jul	8255.0	8188.0	−54.0	8284.9	8173.8	4,640	24,701
Aug	8260.2	8203.0	−54.0	8260.2	8233.0	214	698

WORLD MARKETS AT A GLANCE

[illegible]

THE NASDAQ STOCK MARKET

4 pm close July 9

[illegible]

THE NASDAQ STOCK MARKET

[illegible]

AMEX PRICES

4 pm close July 9

[illegible]

EASDAQ

[illegible]

STOCK MARKETS

Worries over US earnings deter investors

WORLD OVERVIEW

DuPont's profit warning caused jitters among investors, confirming the increasing impact of Asia's turmoil on US corporate earnings, *writes Emiko Terazono.*

European markets, which rose to intra-day peaks earlier in the session, lost ground as Wall Street headed lower in the opening minutes of trading in the US. Paris, Frankfurt and Amsterdam eased as investors took the cue for profit-taking.

Disappointment at Japan's failure to produce specific tax-cut measures and health rumours about Boris Yeltsin, Russia's president, weighed on Asian equities. The yen's decline to the Y140 level hit the Hang Seng index, which fell more than 2 per cent.

DuPont's announcement that it expected a 15 per cent decline in earnings for the second quarter presented further evidence of a slowdown in the US. The chemicals group said weak demand and currency translations in Asia were partly to blame.

"Asia's weakness has not only hit export demand, but has also brought about a price competition, and a squeeze on domestic prices," says Matthew Wickens, economist at ABN-Amro in London.

Cheaper Asian products are starting to put pressure on the sales of US companies, keeping profit margins down. The decline in margins comes as labour costs remain high, further hitting the bottom line at US companies. Cheaper imports offset domestic inflationary pressures and make the interest rate debate in the US finely balanced.

In the face of slowing US growth, many analysts are advocating bonds, while the impact of slowing demand on US equities is expected to be limited.

"There is plenty of liquidity in global markets and the market will probably move sideways in the medium term," says Trevor Greetham, strategist at Merrill Lynch in London.

Among emerging markets, Athens rallied to a record high, led by the banking sector. The market is among the safe-haven countries suggested by Deutsche Morgan Grenfell.

According to a ranking using criteria including reliance on commodity exports, short-term obligation and currency stability, the bank's emerging market team has identified markets which are relatively insulated from global deflation, the yen's fall and weakness in the US.

London market, Page 30

Profit warning from DuPont dents Dow

AMERICAS

Profit warnings gave blue chips a buffeting on Wall Street, but continuing enthusiasm for technology stocks propelled the Nasdaq Composite index to a new high at midsession, *writes Richard Tomkins in New York.*

At 1pm, the Dow Jones Industrial Average was down 42.10 at 9,132.87 and the Standard & Poor's 500 index was 2.39 lower at 1,163.99. But the Nasdaq index was up 5.89 at 1,941.28, given a boost by better-than-expected results from internet company Yahoo!

A flurry of profit warnings depressed blue chips, the most worrying of which came from DuPont, the chemical company, which is a Dow constituent.

DuPont's shares tumbled $6¼ or 8 per cent to $71⅛ after the company surprised the market with a warning that price pressures in its crop-protection business and other factors would cut second-quarter earnings per share to a level 10-15 per cent lower than a year earlier.

Other companies delivering profit warnings included J.C. Penney, the department store group, which said an unexpectedly high level of markdowns would result in lower second-quarter earnings. Its shares fell $5¼ or 7 per cent to $66⅛.

West Marine, a retailer of recreational and commercial boating equipment, saw its shares plunge $4⅞ or 28 per cent to $11¾ after warning that second-quarter profits would be below analysts' expectations. And shares in Hershey Foods, the chocolate company, fell $3⅞ to $66¾ after it warned of lower-than-expected second-quarter profits.

The boost to technology stocks came mainly from Yahoo!, an internet company, which released much better-than-expected results after the previous day's market close. Yesterday morning, the company's shares jumped $10⅛ or 6 per cent to $196¾.

But there was bad news in the technology sector, too. Shares in Advance Micro Devices, the semiconductor manufacturer, tumbled $2¾, or 14 per cent, to $15⅞ after the company's announcement of a bigger-than-expected second-quarter loss the night before. The company has been struggling to cope with price-cutting by Intel and a downturn in demand.

TORONTO edged back at midsession, with the 300 composite index falling 25.17 to 7,426.10 in turnover of just 30m shares.

August Comex gold fell $1.50 to $292.70 and weighed on the gold and precious metals sub-index, which fell almost 1 per cent.

ATI Technologies jumped to a high for the year of C$20.20 in heavy trade in response to sharply higher third-quarter earnings. But the shares pulled back to trade 55 cents higher at C$19.70.

TransCanada PipeLines gained 5 cents to C$26.15 following news it had been awarded a contract to build, own and operate a natural gas plant in Venezuela.

Frankfurt gains slip away

EUROPE

Shares in FRANKFURT pressed further into record territory early in the day, but the advance could not be sustained.

By the close of electronic trade, the Xetra Dax index had pulled back from a high of 6,051.36 to close 18.05 lower on the day at 6,000.84.

Financials had a mostly good day. Dresdner Bank, up DM1.06 at DM96.06, was among the session's outperformers after the bank announced the purchase of two Credit Lyonnais branches in Stockholm and Copenhagen.

Allianz closed DM22.50 higher at DM652 after a local press report that the two were to merge, although no date had yet been set.

Viag climbed DM37 to DM1,387 on a sustained rumour that the company was to sell one or more of its non-core businesses with a view to concentrating on its telecommunications business.

Sports group Adidas-Salomon climbed DM2.50 to DM258 after Robert-Louis Dreyfus, the chairman, said that the company expected 1998 pre-tax profit to rise by more than 20 per cent.

PARIS pared early gains to close with the CAC 40 index off 20.73 at 4,319.18. Volumes were again nominal and selling pressure was said to be fairly light.

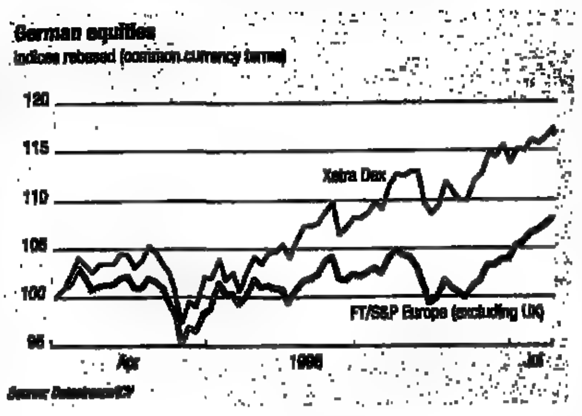
Vivendi was a firm feature, pushing up FFr42 to FFr1,394 on reports of an upbeat meeting between analysts and the group's water operations.

Motors, a strong sector lately, *faltered with Renault off FFr11.10 at FFr331.90 and* Peugeot down FFr17 at FFr1,335.

Elsewhere among the heavyweights, France Telecom retreated FFr6.80 to FFr411.

A first-half return to profits lifted Club Med, sending the shares up FFr27 to FFr567. TF1 shrugged off "take profits" advice from JP Morgan, adding FFr32 to FFr920. The broker expects earnings growth to be hit by pay-TV losses.

But the hot stock among second-liners was car parts maker Montupet, which



surged FFr49.90 or 17.8 per cent to FFr329.90.

AMSTERDAM turned lower with the AEX index slipping 2.24 to 1,257.58 after hitting a fresh intra-day record of 1,268.57 early in the session.

KNP rose Fl 2.80 to Fl 87.20 after Goldman Sachs added the telecoms group to its European recommended list. Drinks and foods leader Bols Wessanen gained Fl 1.20 to Fl 30.90 after a renewed outbreak of tentative takeover rumours.

ABN Amro continued to gain ground, adding 40 cents to Fl 51 as the group's $3bn Brazilian banking acquisition met with a wave of positive broker comment. Rabobank upgraded it to "buy" and lifted ABN earnings forecasts for 1999 and beyond.

Trading group Hagemeyer dropped sharply after a profits warning from retailing offshoot Ceteco. Hagemeyer fell Fl 6 to Fl 67.20 while Ceteco crashed 21 per cent, sliding Fl 23.50 to Fl 90.50.

KLM, up 11 per cent in two days, ran up against profit-takers. *The shares fell Fl 3.20* to Fl 90.70.

Unilever stayed out of favour following a broker downgrade, dropping Fl 5.10 to Fl 157.10 for a three-day decline of 7 per cent.

Copier group Oce fell back Fl 4.30 to Fl 84.20 in spite of solid first-half results.

ZURICH finished lower after a volatile session which saw the SMI index pull back from a new intra-day high of 8,288.7 to close 22.2 lower on the day at 8,205.0.

The banking sector held on to some of its strong early gains after the Lugano-based Gotthard Bank posted positive first-half results.

Shares of the two big Swiss banks hit intra-day highs for the year, although UBS has only been traded as a single unit since June 29.

UBS finished SFr6 higher at SFr621 while CS Group, which will report first-half results on September 9, added SFr8 at SFr351.

Gotthard, which specialises in asset management, and is majority-owned by Sumitomo Bank, said it expected 1998 net profit to rise sharply after first-half gross profit rose 26.1 per cent. The shares rose SFr35 to SFr1,200.

Travel group Kuoni gained SFr405 to SFr7,890 after the private bank, Pictet, recommended the stock with a target price of SFr9,500.

In the pharmaceuticals sector, Roche certificates lost SFr180 to SFr15,465. Half-year sales figures are due today. Novartis was marked SFr23 lower at SFr2,550.

MADRID moved modestly lower in line with the broad trend across Europe with the general index ending off 5.94 at 926.94. Telefónica gave up Pta80 to Pta7,440, but there was no shortage of firm features.

Electric utility Union Fenosa jumped Pta150 to Pta2,180 after an upbeat interview with chief executive Victoriano Reinoso. Radiotronica added Pta270 or 4.1 per cent to Pta6,790 following an optimistic presentation by the electronics group.

ATHENS closed at an all-time high, carried along by a solid performance in the banking sector amid speculation about the sale of a minority stake in Ergobank.

The general index climbed 45.88 to 2,674.28 while the banking sector jumped 3.8 per cent.

Nicholas Georgiadis at Omega Securities in Athens said that sweeping changes in the banking sector were boosting the shares of private sector and soon-to-be-privatised state-controlled banks.

But in spite of the euphoria, all other sectors were underperforming.

Written and edited by Michael Morgan, Jeffrey Brown, Paul Grogan and Peter Hall.

EMERGING MARKET FOCUS

Asia eyes fate of faltering yen

As Japan prepares for Sunday's upper house elections, Asian markets are nervously keeping an eye on the fate of the yen.

Ever since the US dollar peg was abandoned by many Asian governments last year, the region's currencies and equity markets have become increasingly sensitive to the vagaries of the Japanese currency.

The yen's decline below the Y130 level against the dollar in late March triggered the second wave of the downturn in Asian markets, which had been enjoying a brief rebound during the first quarter.

Now that most Asian currencies are floating, their financial markets are more sensitive than they used to be to the economic woes of Japan – the region's largest economy and creditor.

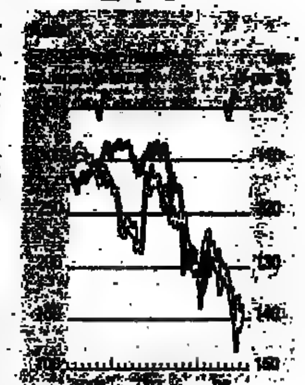
"You would have been hard pressed to find a link between the yen and Asian markets in the 1980s and early 1990s," points out James Montier, strategist at BT Alex Brown.

But while fears of a weak Japanese economy and a depressed yen have had a large downside impact on emerging markets, the upside effects when the Japanese economy eventually turns around may be limited.

For most Asian countries, Japan is a less significant trading partner than is generally perceived, and the reviving effect of a recovery in its economy on the demand for imports from Asia may be limited.

Apart from Indonesia, which sends a quarter of its exports to Japan, the region has a more significant trading relationship with the US.

Japan's main role in the region has been that of an exporter of capital. The Japanese account for 40 per cent of Asia's total external liabilities, according to ING Barings. "Japan's export of capital to Asia has been



staggeringly large," points out Ashok Shah, fund manager at Old Mutual in London.

Constrained by bad debt provisions and capital adequacy ratios, Japanese banks are unlikely to be able to fill the financing gap in Asia even in the face of an economic recovery.

On the other hand, the downside risks of a credit squeeze by Japanese banks in Asia have been huge. Hong Kong, where Japanese bank lending accounts for 44 per cent of gross domestic product, and Singapore, where the figure is 61 per cent, are expected to be hard hit if credit lines are cut by Japanese banks.

Thailand, Indonesia and Malaysia also have high levels of exposure to Japanese bank loans.

According to ING Barings, the focus for Asian emerging markets is thus likely to shift from the yen to Japan's ability to restructure its financial system.

Debt rescheduling and refinancing are vital if Asian economies are to stabilise. So the success of measures taken by Japan to repair its fragile banking system – notably the bridge bank scheme – is likely to become one of the key factors affecting the region's emerging markets.

Emiko Terazono

Mexico keeps uptrend

MEXICO CITY continued to push higher with the latest round of government budget cuts providing solid support for sentiment through a morning of modest trading volumes.

The share market ran into some profit-taking at the opening bell, but the uptrend that has been apparent over the past seven sessions, quickly reasserted itself. By midsession the IPC index was up 38.17 at 4,611.45.

Late on Wednesday, the finance ministry announced spending cuts of 5.5bn pesos to offset declining oil revenues. "This is good news for the bond market and therefore for equities," said one broker.

Market heavyweight Telmex was in the thick of the morning's action. The shares rose 35 centavos to 22.45 pesos.

SANTIAGO advanced as lower interest rates triggered buying orders and the IPSA index rose 1.13 or 1.3 per cent to 85.33.

Market heavyweight Cia de Telecomunicaciones de Chile rose 69.90 pesos to 2,550 pesos, while Banco de A Edwards jumped 2 pesos to 42 pesos on rumours that Spain's Banco Bilbao had agreed on an acquisition at 50 pesos a share.

CARACAS moved lower on continued worries about international oil prices. By midsession the IBC index was down 85.55 or 1.8 per cent at 4,640.40, although volumes were said to be light.

Weaker rand hits Jo'burg

SOUTH AFRICA

Johannesburg was depressed by a pullback in futures and further weakness in the rand. The overall index finished 47.5 lower at 7,128.0.

Golds dropped 41.2 or 4 per cent to 978.5 in response to a dull bullion price, while industrials finished 45.8 lower at 8,413.8.

Financials, under pressure for the last six weeks as companies faced reduced margins due to increases in official rates, managed a better performance, picking up 8.2 to 11,856.5.

Premier Group edged up 4 cents to 152 cents as speculation mounted it was about to dispose of its milling and baking operations.

Tokyo subdued ahead of election

ASIA PACIFIC

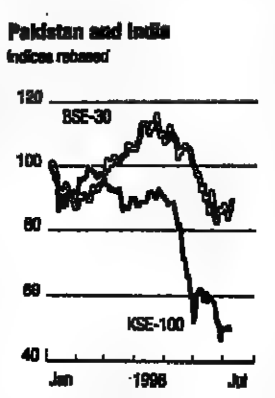
Trading in TOKYO remained subdued in thin volumes as investors watched political developments in the run-up to Sunday's election, *writes Alexandra Harney in Tokyo.*

The Nikkei 225 average ended 0.5 per cent or 84.02 lower at 16,446.95 after trading between 16,370.08 and 16,492.51. Volumes were a meagre 400m shares. Decliners outpaced advancers 786 to 353.

Foreign investors were active in the market, analysts said. The steel and construction sectors continued to be heavily traded, based on expectations that a widely expected government reform plan would lead to increased public works spending.

Nippon Steel, which has been heavily traded in recent weeks, fell Y6 to Y259. Iron and steel shares overall tumbled 2.4 per cent.

The Long Term Credit Bank, which has been rumoured to be facing a liquidity crisis and has entered talks about a merger



with Sumitomo Trust, dropped Y5 to Y59.

Speculative trading continued to lift undervalued stocks. Yuasa, a storage battery maker, was the most heavily traded share, gaining Y47 to Y413. The stock has more than quadrupled in value since January.

Janome Sewing, the nation's largest sewing machine manufacturer, climbed Y19 to Y189.

The Topix index of all first sector stocks lost 0.5 per cent or 6.12 to 1,262.28. In Osaka, the OSE index slipped 46.1 to *17,189.12.*

KUALA LUMPUR stayed weak, slipping a further 7.39 to 447.89 on the composite index for a two-day decline of 4.2 per cent.

Volumes remained low with worries about the financial sector highlighted by the troubled MBf finance group. MBf Capital, a group company, lost 13 cents to 51 cents after announcing an M$8.4m disposal.

MANILA ended at its low for the session with investors tracking the weak yen and taking profits. The composite index ended off 29.10 or 1.6 per cent at 1,828.40. PLDT lost 10 pesos to 985 pesos.

Among financials, Ayala Land retreated 50 centavos to 12.50 pesos but Metropolitan Bank, the day's most heavily traded stock, improved 3 pesos to 247 pesos.

HONG KONG dropped 2.3 per cent as a weaker Japanese yen dealt a blow to sentiment, but brokers said thin volumes exaggerated the fall. The Hang Seng index lost 195.40 to 8,433.78 in meagre turnover of *HK$3.2bn.*

Against the trend, Cathay Pacific was among the winners, gaining 20 cents to HK$6.50 on speculation that British Airways was planning to take an equity stake. Cathay denied the rumour.

KARACHI tumbled 3.9 per cent as the central bank imposed more curbs on foreign exchange and raised the forward cover fee on foreign currency deposits. The KSE-100 index dropped 32.71 to 833.00.

Analysts said that fears of a moratorium by Pakistan on its foreign currency debt of more than $30bn were looming large over the market.

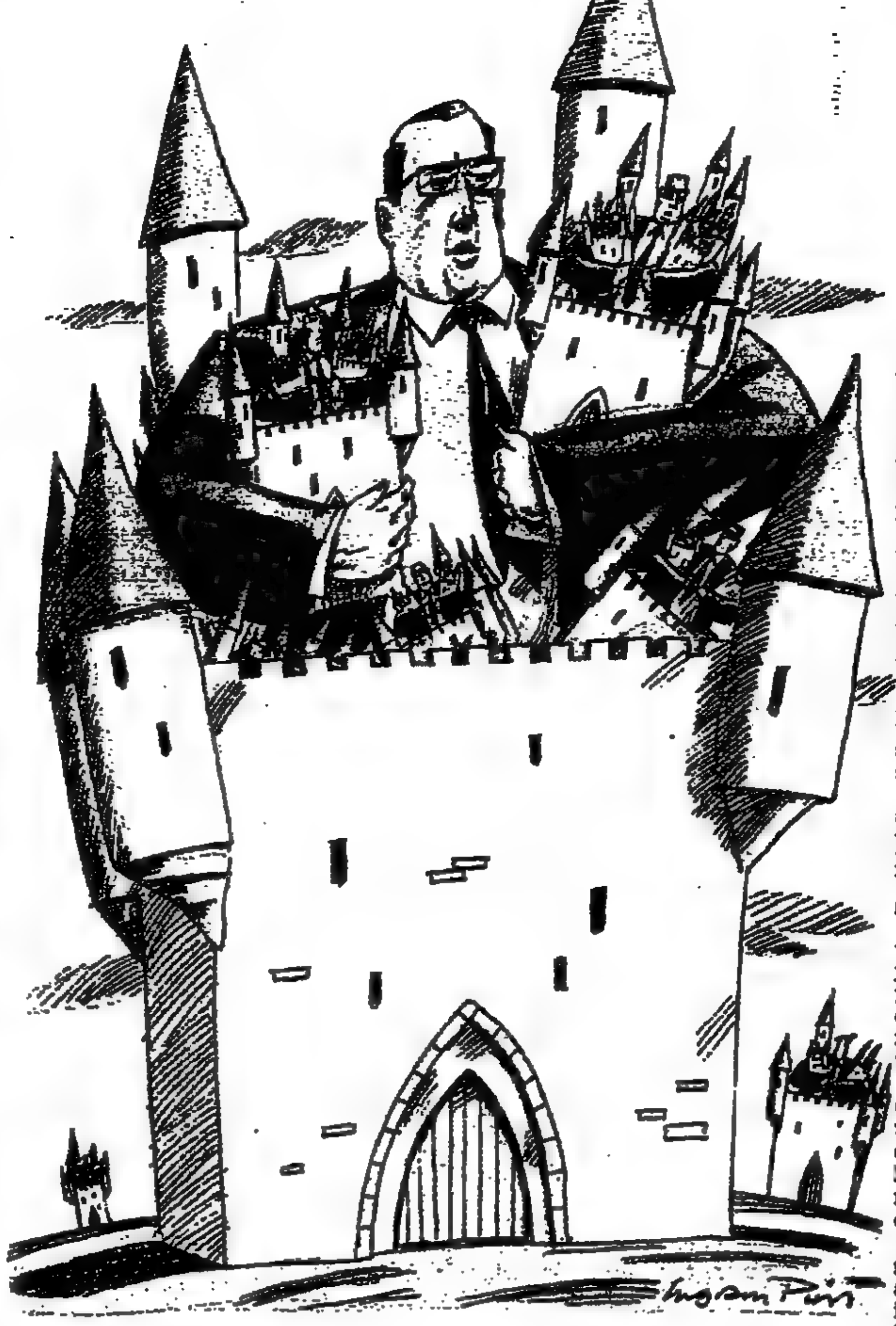
One trader commented that international sanctions, imposed after the country's nuclear tests, were putting the economy under enormous pressure.

BOMBAY jumped 2.7 per cent as foreign funds turned aggressive buyers of blue chips. The BSE-30 index climbed 86.10 to 3,331.98, led by a Rs50.25 rise in Hindustan Lever to Rs1,608.

Global Custody

Consolidation is continuing, assets are expanding and prices have begun to rise. **Jane Martinson** reports on exciting times for the industry

The giants get even larger



Production editor: Ray Terry
Design: Michele Meggs

Global custodians have tested the lexicon of largeness in the past year. A series of mergers has consolidated assets into fewer and fewer institutions with the world's largest custodian now handling $4,700bn.

This consolidation, which has been intensifying over recent years, looks set to continue. The largest custodians are prepared to expand by further acquisition and most industry analysts support the view that scale is essential.

Jeffrey Tessler, general manager of the Bank of New York (BoNY) in London, says: "There has to continue to be consolidation in this industry. Scale means everything."

Sandy Jaffee, division executive at Citibank, with almost $3,000bn in assets, echoes many other industry managers when she forecasts the dominance of four or five truly global groups alongside several niche, domestic companies. "There will be more consolidation because there is still excess capacity," she says.

Beneath the largest half dozen custodians are 20 or more medium-sized companies seen as potential takeover targets.

Consolidation has intensified in the past year partly as a result of significant challenges and costs faced by the industry.

Companies faced with updating computer systems to handle the change of dates in 2000 have baulked at the costs involved. At the same time, the demand for more global investing has intensified the pressure to spend money on systems and improve services.

The introduction of a single currency across Europe will also lead to great upheaval as custodians cope with the changes. Chase Manhattan, the world's largest custodian, has estimated that more than 1,000 share prices could be redenominated on the first weekend of the new currency with a further 24,553 changes later.

Lipper Analytical Services has estimated that the average spending on technology by the top 20 custodians is $80m each a year and rising. Chase and BoNY, two of the largest custodians, each spend more than $200m a year on systems.

Given these figures it is hardly surprising that many medium-sized groups have decided to exit the business rather than continue to compete.

One of the latest takeovers this year has underlined how fast the industry is changing. Morgan Stanley Dean Witter, the US financial services group, sold its custody business for an estimated $600m to Chase in May. The deal came just over a year after Morgan Stanley bought a large part of its custody operation from the UK's Barclays Bank.

Morgan Stanley's commitment to the business seemed as strong as any bank's last year. Indeed, a senior Morgan Stanley executive said in last year's FT survey: "As far as we are concerned, global custody is a business with prospects which we want to be in."

In selling its custody business, with $400bn of assets, Morgan Stanley said it had decided to focus on three core businesses – securities, asset management and credit services.

In doing so the bank joined other established custody names such as JP Morgan, NationsBank, BankAmerica and Wells Fargo which have left the business in the past two years.

The decision of these banks has helped fuel the ambitious expansion plans of the largest groups.

BoNY made its unwelcome $24bn bid for rival Mellon Bank of Pittsburgh earlier this year. The proposed deal would have created the largest global custodian in the world with $5,500bn in assets.

Analysts welcomed this abortive deal as a value enhancer. They estimated that the mooted Mellon Bank of New York's dominance of businesses such as securities processing, global custody and depositary receipts would make it one of the US's most profitable, with a return on equity of nearly 25 per cent.

This underlines the strategic rationale given for many takeovers. Richard Greensted, a director at State Street, one of the world's three largest custodians, said: "You do need critical mass so that you're effectively able to generate cash flow."

With more than $4,000bn under custody, it is hard to grasp how big you have to be. Lipper repeats industry estimates which suggest that custodians need at least $750bn to achieve critical mass in the domestic market.

Others, such as Brown Brothers Harriman, the private banking group with $525bn of assets under custody, disagree. Hampton Lynch, executive chairman of the London office, said: "We choose to compete on the basis of superior client service as opposed to the factory approach of some of the largest custodians."

He rejects the suggestion that huge scale is necessary to cover the expense of new technology. "It's not true that we have to spend anywhere near as much as others do," he said, pointing out that the group focused on certain client groups and sectors. In spite of this the bank has increased spending on technology by "significant double digits" each year over recent years.

Mr Lynch credits consolidation in the custody business for some of BBH's increased business. Takeovers absorb much management time and create unavoidable upheaval, he points out.

Others have also argued that clients are ill served by badly handled consolidation in the industry. "By the very nature of the business, customers like stability and continuity," says Dick Feehan, managing director of Bankers Trust. He says that the way to "differentiate yourself is to provide quality of service".

BoNY replies that it managed to keep 90 per cent of the clients belonging to JP Morgan's custody business by offering superior and greater service.

Competition between custodians has helped drive prices down in the past few years. But price cuts have caused concern about corner-cutting among some in the industry.

Some analysts believe that custodians are taking risks to avoid passing on the costs of action. This is highlighted in the area of sub-custodian risk where security can come with a high price.

Anecdotal evidence suggests that prices have already started to rise, having "hit the hockey stick" last year. This is partly as a result of additional services and partly, industry executives believe, because competition has gone as far as it can for now.

Mr Lynch at BBH takes a longer-term view. "Prices have certainly been coming down in this industry for many, many years," he said. "I expect we have seen some relief on that front but, in the longer term, prices will continue to go down. Technology does that."

While some companies publicly justify higher prices, clients have grown increasingly concerned that concentration will lead to higher fees. One senior industry executive did little to ease these concerns when he said: "In an oligarchy with four or five providers, people are not going to slash each other's throats on pricing. They are starting to sell on service rather than price."

It is little wonder that so-called "master custody" has gained greater currency in the past year with a profusion of services such as the monitoring of investment guidelines, better information on company actions, performance measurement and multi-currency reporting.

The current situation contrasts with 10 years when custody banks were differentiating themselves on their ability to handle different markets around the world.

The industry continues to enjoy great commercial attractions. Long-term demographic factors attending an ageing, increasingly wealthy population, are expected to spur growth as are liberalising markets. Japan's Big Bang and countries in the European Union are expected to increase cross-border investment.

Industry estimates suggest that assets under custody, which reached some $40,000bn in 1997, will increase to $50,000bn by early next century. At the same time revenues, currently between $5bn and $6bn, are forecast to rise to $8bn by early next century.

With these forecasts underpinning expansion, the last 18 months of this millennium look set to be exciting ones for the custody business.

OUTSOURCING • by Christine Moir

Managers do an about turn

Robert Maxwell: sparked concern about safety of assets

Two problems are looming – the millennium bug and the launch of the euro

Last year there were two opposing views among managers of large British investment funds. There were those who thought safe custody of assets was a core function it would be improper to sub-contract. They significantly outweighed those who thought they were hired for their investment performance skills alone and therefore not for the everyday duties of checking where the assets were and whether dividends were collected on time.

Much has changed in 12 months. The handful of truly global custodian houses report a marked increase in the number of fund managers seeking to hand over the custody function. They appear to have been driven by a number of forces, some short term, others more fundamental.

The looming threat of the millennium bug has caused some fund managers to lose faith in their in-house computer skills. Next year's launch of the euro while Britain stands apart concerns many. Others are dismayed by the thought of two, expensive, energy-consuming problems looming so soon after the expensive and energy-consuming efforts needed to grapple with the London Stock Exchange's new trading and settlement systems.

Longer term they can see further need to upgrade technology and an increase in the number of purely administrative functions beyond those of pure safekeeping. All would put more strain on resources and possibly distract them from their core role of asset allocation.

Trustees have been mulling over the same problems plus their new responsibilities for appointing custodians. Some have reached the view – at least tentatively – that prudence dictates that the custodian is independent of the stock picker. They are supported by the ultimate clients – the worker saving for retirement or the unit holder – who have become much more anxious about the safety of their assets since Robert Maxwell died.

A third group have had to weigh up the low fees paid for basic custody (now perceived as a simple commodity) against the huge investment in technology they would need to make to offer a full range of higher value add-on services.

Some of those who have opted out have been surprising names. Morgan Guarantee's custody business is in the process of being absorbed by Citibank. Morgan Stanley sold its operations to Chase Manhattan not 18 months after it had bought Barclays Bank's custody business.

Jeremy Jewitt, Chase's senior vice-president responsible for global investor services in Europe, Middle East and Africa, says simply: "Custody was not a core business at Morgan Stanley as it is with us, and after Morgan's acquisition of Dean Witter it became even more marginal."

Lucille Knapp, responsible for European business development at Northern Trust, one of the handful of global custodians now emerging after this round of consolidation, echoes the implication in Mr Jewitt's appraisal of Morgan Stanley. "The commitment needed to offer today's range of services is enormous", she says, "particularly if you have to catch up with those of us established in the market."

Ms Knapp, however, is also at pains to distinguish her 110-year-old Chicago-based trust bank from a much more general banking house such as Chase Manhattan. "We are a pure trust bank, with 60 per cent of our revenue coming from custody and related services. We do nothing else."

Northern, like Brown Brothers Harriman, are proof that a custodian does not have to be part of a bulge-bracket bank to thrive. Both are best-known for their US client base but both offer custody services for sizeable amounts of non-US assets and, increasingly, for European and Asian clients.

Other leading global custodians also acknowledge a future for those in what might be called the first division, if not the premier league, so long as they continue to keep pace with the new products on offer by the true giants. Even they cannot always go it alone.

Mellon Trust, for instance, is prepared to admit that some markets are better tackled through joint ventures. In Canada its partner is CIBC; in Scandinavia, Den Danske Bank. While the local bank provides access to the local market and familiarity with local regulatory demands, Mellon contributes state-of-the-art technology.

Mellon is also seeking partners in Spain and Portugal, which Simon Shapland, Mellon's vice-president in charge of business development out of the London office, acknowledges are less mature investment markets and yet to be wholly convinced of the values of internationalism.

But they are not the only countries still resistant to the principle of a single global market. Chase Manhattan is finding that the French can put up endless bureaucratic delays before allowing outsiders equal access to its markets. And Luxembourg is not happy with businesses which do not want to be locally domiciled despite its own speciality in cross-border financial services.

Citibank is one of those bulge-bracket houses to have benefited directly from other professionals' decisions to quit the custody business. It also has bank branches in 62 countries with a further nine due to become Citibank fiefdoms soon. But even Neeraj Sahai, Citibanks's managing director of cross-border custody and global lending, recognises the need to have local partners in some jurisdictions. Its choice in Canada has been Bank of Montreal and others elsewhere are being looked at.

The fact is that without detailed local knowledge even the most advanced technology will not deliver peace of mind for the end customer, and if they express anxiety local politicians will be under pressure. That could lead them to insist, for instance, that custody of local assets should be provided by domestic companies which could lead to local investment houses being forced to reverse today's outsourcing trend.

PROFILE Bank of New York

A love-hate relationship

Tom Perna: still in the mood for shopping

Bank of New York is a name that attracts admiration and dislike in almost equal measure in the global custody business.

One of the three largest custodians in the world with $4,200bn of assets at the last count, BoNY is either loved or loathed for its vigorous corporate approach and gargantuan ambitions. Rivals sneer at a strategy they describe as "pile-it-high, sell-it-cheap" while many analysts admire the management of a business which has driven down costs and built a multi-faceted operations.

Investment bankers also appreciate its deal-making nature. The bank has made 34 acquisitions of processing businesses since January 1995, including the purchases of units belonging to J.P. Morgan, NationsBank, BankAmerica, Coutts and Wells Fargo.

However, its exploits in the past year may have taken some of the gloss off this reputation as a successful dealmaker. Its recent flirtations with rivals State Street and Mellon Bank have managed to make BoNY look somewhat like a suitor who cannot understand why the girls he picks on seem to prefer to dance alone.

The prom started more than a year ago when BoNY announced it had applied to increase its stake in State Street, also a top three provider, from 4.99 per cent to 9.95 per cent. Although BoNY said the move was for "investment purposes only", it was widely interpreted as an attempt to test the water for a full takeover. Opposition both from State Street's management and from Massachusetts banking regulators scuppered any such plans and BoNY now has a stake back below 5 per cent.

Then, earlier this year, the group made the largest unsolicited bid for a bank in US history with an unwelcome $24bn offer for Mellon Bank of Pittsburgh.

The so-called Mellon Bank of New York would have been the world's largest custodian with assets of $5,500bn. It would also have enhanced BoNY's dominance in the American depositary receipts market and added to its leadership in corporate trust, stock transfer and government securities clearance.

A potential deal was welcomed by many Wall Street analysts. Diane Glossman, research analyst at Lehman Brothers, said of the deal that it was "based on strong strategic foundations".

Moreover, some investors also believed the 25 per cent premium to the share price was not to be sniffed at.

BoNY walked away from the tie-up, however, having failed to gain management approval.

But it made it clear that it was still in the mood for shopping. Tom Perna, head of the group's investment company services, said: "We will certainly turn our attention back to [expanding] product lines through acquisition." The group is firmly of the view that scale is a key driver to growth in the custody business.

However, it is also anxious to show that it can compete on client service.

Jeffrey Tessler, general manager of London operations, smarts at the pile-it-high jibe. "We are focused on expanding products. We spend a lot of time with clients assessing how we can provide solutions for them. Either we develop or we acquire product capability," he says.

He says the group offers "bespoke solutions" to its clients and will ensure that all product needs are met. He points out that the group retained 90 per cent of J.P. Morgan's client base following its acquisition in 1995.

Mr Tessler blames poor marketing for the bank's reputation for volume rather than value. "One of the things we haven't done as well is to market our products," he says. The group has recently appointed a new marketing support team in London.

Whatever the dynamics for clients, the business has fans on Wall Street. According to last year's survey by Salomon Brothers of the largest 50 US banks, BoNY ranked second in terms of return on assets, and fifth in return on equity. Its 25 per cent return on equity for the first quarter of this year was up from 21 per cent the year before.

Ms Glossman at Lehman says that the group has "a pretty attractive business mix". Its earnings from custody are expected to increase to 38 per cent of earnings, up from 30 per cent in 1996, with fee income forecast to increase as a percentage of total earnings from 47 per cent to 59 per cent in that period.

The support from the bank's management for continued growth in custody looks set to continue. "Custody is not a peripheral competency," says Mr Tessler. "It's right there in the middle and it will continue to stay there."

Jane Martinson

Bank of New York: earnings mix (%)

	1996	1997E	1998E
Securities and other processing	30	35	38
Trust and investment management	6	8	9
Corporate banking	22	24	20
Branch banking	14	12	11
Financial market services	12	11	11
Asset-based finance	7	8	8
Credit card	6	2	0
Non-interest income (as % of total revenue)	47	54	59

Source: Company reports and Lehman Brothers

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SUB-CUSTODIAN RISK • by Brian Bollen

How to defuse potential time bombs

Turmoil in Asia has brought sub-custodian risk into sharper focus

Seldom if ever can the issue of sub-custodian risk have been more relevant. As the geographic investment horizon has continued to widen and market volatility to increase, investors have instinctively looked to their global custodians to find them ways to buy and settle quickly and efficiently in emerging and embryonic frontier markets. In some cases, the eagerness to begin trading can override the understanding of the risks attached. This behaviour is changing as investor awareness of the new risks to which they are being exposed grows and of the limited formal protection they have against them.

"Sub-custodian risk has come into sharper focus as a result of volatility in the Asian markets," says Neeraj Sahai, New York-based managing director for cross-border custody and securities *lending with Citibank*. "Key operators in cross-border investing – global custodians, asset managers, pension funds and insurance companies – are increasingly looking to use the services of institutions with a strong international reputation and presence."

In the best of all possible worlds, the role of sub-custodian would always be filled by a suitably qualified indigenous bank. Investing in emerging markets, though, can be hazardous enough without adding unnecessary distractions. In reality, the more exotic markets might suffer from the absence of a financially sound organisation with a healthy balance sheet, good creditworthiness, satisfactory operational controls and Year 2000/euro compliance.

In such cases, custodians are more likely to turn instead to a globally known name with a local or even regional presence, such as HSBC or Standard Chartered. Citibank, which handles some 95 per cent of all its own sub-custody business through its own network of branches and wholly-owned subsidiaries, is seen as a safe pair of hands, particularly at times of turmoil. Elsewhere, ING Barings has for the past year or so been making a big push to alert the financial community to the possibilities of tapping into its branch network throughout central and eastern Europe.

The need to explain risks more fully and to clarify the legal responsibilities of custodian, sub-custodian and investor was underlined by a recent mini-series of conferences arranged in London and Vienna by Thomas Murray, a London-based management consultancy firm, on the subject of asset safety and risk minimisation in cross-border investment.

"Many institutional clients do not fully appreciate the risks to which they are exposing themselves," says Simon Thomas, a director at the firm. "People need to know precisely who is taking what risk at what level, and whether they are going to be left with direct exposure to an underlying agent with whom they have no direct relationship. When you give a workshop to pension fund trustees and they begin to understand, they suddenly become very interested. As securities dematerialise, for example, the focus is shifting from agent banks to depositaries and clearing houses.

"Global custodians tend to wash their hands of risk arising from country settlement practices. Clients need to look at what is excluded from their contracts with global custodians to make sure they have no exposure to these local agents; we believe that if problems arise with a sub-custodian, global custodians should replace the cash or securities entrusted to them. If they cannot, clients should look for a custodian who will. A lot of banks do not have the balance sheet strength to make this commitment, and that raises questions about whether they should be in the business."

The main risks causing most concern in the sub-custodian world today include sub-custodian failure, reputation risk for the global custodian, and market risk, including the theoretical collapse of an entire market. A distinction is normally drawn between custody risk, against which a global custodian will usually indemnify clients, and sovereign or investment risk, where clients are very much on their own.

Put another way, global custodians will routinely cover clients against in-house or third-party fraud, negligence and wilful misconduct, but will not give clients an open-ended blanket indemnity against total loss of their assets. Clients who fondly imagine that their global custodians will guarantee *everything* must be disabused of that notion, and shaken out of any false sense of security.

"Unrealistic expectations lead to unnecessary disappointment," says Andrew Osborne, head of worldwide network management at Northern Trust in London. "If people don't understand the risks properly, you've started the clock on a potential time bomb."

Clients are expected to retain sovereign risk as part and parcel of the decision to invest in, say, Kazakhstani equities rather than UK gilts. "We are in the business of helping clients operate in the markets they identify as attractive, and of mitigating investment-related operational risk, not of enhancing direct investment risk," adds one global custodian.

"If we were even to attempt to think of indemnifying clients against total loss, our balance sheet would never stand it. Compare the value of custodians' shareholder funds with the billions of dollars under custody, and you see why regulators would be worried. There has to be a better way of doing things than handing out what could be completely worthless indemnities; we believe it's better to do everything you can to prevent the causes of loss, and to mitigate the effects of loss."

Safeguards can include insisting upon full segregation of client assets on a sub-custodian's books, from the agent's own assets and those belonging to other clients, and ensuring that this segregation takes place.

While the matter of sub-custodian risk is a hot topic, the thought of failure is not exactly keeping the market awake at night. The industry has experienced and lived with the consequences of the quite different calamities of the Maxwell fraud and the Barings collapse, but custodians around the world argue that there has never been a significant example of sub-custodian failure. This record, combined with confidence in their own network management controls and procedures, and early warning systems, explains the generally relaxed air.

"There is no room for complacency though," concludes David Bilbe, senior vice-president and managing director at State Street in London. "As well as monitoring the potential for sub-custodian failure, we're also concerned that none of our agents suddenly decides it doesn't want to be a sub-custodian any more. And we're constantly assessing the risk of the central securities depository failing."

Andrew Osborne: unrealistic expectations lead to disappointment

NETWORK MANAGEMENT • by Brian Bollen

High standard of selection procedures

Prevention rather than cure is top of the agenda for management of sub-custodians

One of the most formidable barriers to global custody is the need to build a strong global network of agent banks which are able and willing to act as sub-custodians. As the possible implications of sub-custodian failure include loss of reputation for the custodian as well as the loss of clients' assets, the big industry operators agree that implementing the highest possible standards of selection and monitoring is a crucial part of the process. All other things being equal, local companies in emerging or embryonic markets have to meet the same standards as their counterparts from more developed markets.

"We have sub-custodians in 82 markets around the world," says David Bilbe, senior vice-president and managing director at State Street in London. "In each market, we choose the best."

So what goes into the selection of a sub-custodian? Plenty is the short answer, with prevention rather than cure at the top of the agenda. "We look at controls, procedures and communications," says Mr Bilbe. "We look at minimum standards. We do a credit assessment. We take preventive measures before, during and after appointment to minimise the likelihood of serious loss."

A detailed examination of the process shows that State Street uses its own established custody operations in the US and UK, and sub-custodian banks elsewhere. Its formal policy is to select sub-custodian banks which display securities processing expertise and the most comprehensive knowledge of the local market.

In common with other custodians, it describes its evaluation and selection process before adding a new bank to the network as rigorous and lengthy, and says that it will only enter a new market when satisfied that the services will be of a consistently high standard.

Once it begins active research of a market, it also begins the sub-custodian selection process, which could serve as a fairly typical blueprint in the industry. Step one is to identify potential candidates, based on credit and risk policy input, contacts with market participants and names already in its database. It then establishes communication with possible banks, sending a summary of its request for proposal (RFP) to seek preliminary expressions of interest.

If the response is positive, step two is to send the RFP itself which includes detailed operating requirements, informing candidates of the services and service levels that they are expected to achieve, with an emphasis on reporting. This stage also includes a questionnaire allowing each candidate to describe its position relative to the bank's manual of specifications for communication through Swift (the Society for Worldwide Financial Telecommunications).

Step three comprises a preliminary evaluation of the RFP responses and a visit to the market in question to discuss these with the candidate banks. This visit includes meetings with infrastructure agencies such as the local stock exchange, the central bank and brokers.

In step four, State Street's credit and risk policy department prepares evaluations of the *finalists*. Based on assessments of relative credit risks, service levels, capacity and other factors, it finalises service arrangements, documentation and a fee schedule.

Once it makes an appointment, State Street reviews the performance of each sub-custodian on an ongoing basis, monitoring timeliness and correct execution of trade settlements, income payments, corporate actions (including proxies) tax reclamation, problem-solving and (where permitted) competitiveness in interest rates on cash accounts. The bank also monitors the ability to cope with volumes and to handle complex transactions correctly, the quality of reporting, and progress in the use of technology and telecommunications systems.

As part of its review, a network administration officer visits each sub-custodian annually. State Street also meets with other custody service providers to broaden its knowledge of local market practices, to ensure that its own sub-custodian's service, quality and fees are competitive and to identify potential alternatives.

State Street arranges visits for specific circumstances, such as significant market events, the introduction by it of new procedures or noted performance issues. It also requires an annual audit of operations procedures and controls at the sub-custodians, to be carried out by an independent and internationally-recognised auditing and accounting firm. If, during the ongoing review process, a decline in service is noted, State Street may initiate a formal RFP process in the market. Regardless of performance, RFPs are systematically issued every four years.

The approach is mirrored elsewhere, with pre-appointment, due diligence, and post-appointment monitoring the recurring themes. Network management is a dynamic rather than a static process, and stress is placed upon the maintenance and development of relationships with sub-custodians.

Paul Hedges, director of Royal Trust Corporation of Canada's worldwide agent network, says: "Except in Canada, we outsource all our sub-custody to third-party providers, and we work with our sub-custodians in close partnership, supplying them with positive as well as negative feedback. Procedures have been tightened up in recent years as global custodians have paid more attention to third party risk; it's becoming increasingly scientific and customised to each agent.

"We not only look at the reputation risk, the financial risk, and the operational risk. We also look at people risk, asking: do potential sub-custodians have enough staff for the business they do, where do they recruit them from and is there a good stream? What do they do to make sure that staff keep abreast of market practice, regulations and requirements?"

He compares the process to an audit, though more thorough. "We are only as good as our worst sub-custodian," he says. "So we need to make sure that every sub-custodian is our best."

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PRICE PRESSURES • by Brian Bollen

Seesaw tilts less steeply

The pressure on prices has eased significantly and the curve has now flattened

Downward pricing pressure has long been a fact of life in the global custody industry, but a number of institutions claim that this could be about to change. The consensus within the industry is that the handful of providers at the top end of the business have no interest in competition based purely on price.

Boston-based State Street, which prides itself on being one of the leading global custodians without buying market share, is among those adamant that prices have at least flattened out, and may even be rebounding.

"The shape of the curve is like a hockey stick," says David Bilbe, senior vice-president and managing director at State Street in London. With assets under custody approaching $4,000bn at the start of the year, State Street should know what it is talking about.

Tom Perna, an executive vice-president at Bank of New York, one of the other leading custodians, agrees, saying: "Over the past 12 to 18 months we've seen the pressure ease significantly."

The view is not uncommon, though one must obviously take into account that claims of firmer pricing are emanating mainly from the dominant suppliers.

But even the niche players detect a shift. Says David Watson, head of marketing and business development at Lloyds Bank Securities Services: "The balance has not swung towards sellers, but the seesaw is tilting less steeply towards buyers than it was five years ago when everyone was chasing every mandate."

There are several reasons for this development, the two main driving forces *being the consolidation* which has taken place in the industry in recent times, and the onward march of technology. The decision of organisations such as NatWest, Barclays, Morgan Stanley and J.P. Morgan to exit custody has reduced the pressure on price, which was caused as much by excess supply as by any other contributory factor.

"Quicker, more efficient systems combined with critical mass are changing the equation," says Paul Hedges, director of the worldwide agent network at Royal Trust Corp of Canada. "Technological progress has generated significant operational efficiencies, with straight through processing, central depositaries and book entry transfers replacing paper in many markets. There is more to come, as some markets are much more advanced than others. Even emerging markets have the opportunity to enter the capital markets business using state of the art technology, so long as they have no paper-based baggage. Utopia would be same day real-time instantaneous settlement of all trades; in the major markets we're perhaps 75 per cent there."

"Global custodians and sub-custodians have made massive investments in technology," says Lucille Knapp, of Northern Trust's European new business development division. "I believe that clients accept that our ability to do this and provide quality service costs money. The contraction in the industry has helped the current client base and future client base to understand and appreciate that. There's no point in beating down the price if you thereby drive down the quality of service."

David Bilbe (left): 'the shape of the curve is like a hockey stick'
David Watson (right): 'the balance has not swung towards sellers'

Adding to the effects of consolidation and automation, there is also a sense that the very nature of global custody has begun to change. As the value chain extends beyond simple settlement and safe custody and into the provision and processing of valuable data on transactions and markets, so must the pricing structure evolve.

"Global custody was first priced when it was quite different," says Mr Bilbe. "We've had the commodisation of the product, now we're seeing the differentiation between providers. Clients today are looking at a range of very complex services, and recognise that if they want more, they have to pay more."

"Investors are recognising that we take more risk and offer more value today," says Mr Perna, of Bank of New York. "Pricing needs to adapt to this new environment; our surveys show that clients are happy with the service they receive and the price they pay."

As the client base itself has consolidated, requirements have become much more complex and difficult to satisfy. "They know that if they go for the cheapest option they will not accomplish their goals," says one custodian. "You're dealing with professional buyers, who all realise that you get what you pay for. If you want additional services, there is a price involved, an explicit price. Value for money is more important than achieving the lowest price."

"I think that if you catch clients at the right moment they'll agree that custody in general is a good service, and that it's inexpensive," concludes David Batten, director of relationship management at RBS Trust Bank."

"There's a certain inequality between custody and fund management charges, which most clients would recognise. I also think pricing is on the way up as attitudes harden on both sides. Clients want to unbundle the cash balances and foreign exchange business that once upon a time would have boosted the overall income from custody. Custodians need to cover their costs in other ways, and if custody fees do not pay their way they have to go up.

"Custodians could take over still more administration for clients, if the clients are prepared to pay reasonable fees, but they are now rejecting business that previously they would have chased. If potential clients are not prepared to pay for the service, they are being turned away."

PROFILE Pictet

Minnow among the giants

In a global custody world dominated by a small number of huge US banks, the private Swiss bank, Pictet & Cie, is an unlikely contender. But a contender this Geneva-based bank most certainly is.

With some $80bn under custody and a reputation for superior customer service, Pictet is a different kind of choice for institutional clients who want something other than the cookie-cutter approach of the big custodians. With its strategy of selective client targeting where Pictet feels it can add real value, including in recent years, emerging markets custody and servicing high net-worth individuals, Pictet has made a name for itself both inside and outside Switzerland.

Pictet's trajectory to custody success is unlikely, to say the least. Founded in 1805, Pictet built its banking business by investing money wisely and profitably for a range of international clients. From the outset, Pictet provided safe custody for non-domestic securities such as Dutch and US bonds.

But Pictet's latter day global custody business received a jump-start in 1974 with the passage in the US of the Employee Retirement Income and Security Act (Erisa), which mandated, among other things, that US pension funds employ third-party custodians to safe-keep their assets.

"We'd been doing custody all along," explains head of global custody services Richard Humes, of Pictet, "as part of our asset management business, which is the main business of the bank. And because we were in Switzerland [a small market], that obviously included providing global custody when we invested internationally for our clients."

By necessity then, Pictet was providing multi-currency reporting to its clients before global custody was even understood as a separate business line.

After the passage of Erisa, the Pittsburgh-based US bank, Mellon Trust, searched for a partner bank that would be able to provide global custody for a group of its pension fund clients that were beginning to invest overseas. Pictet and Mellon formed a joint venture in which Pictet undertook to provide multi-currency reporting and global custody for these clients. "It opened our eyes here," says Mr Humes. "We realised that if we can do it for Mellon we can do it for others." Pictet did not pursue further business in the US, but concentrated on spreading the global custody message in Switzerland, the rest of Europe and in Asia.

It took a while for the concept to catch on, since there is no legislation in Europe comparable to Erisa. However, the prudence of third party custody has since become a well understood concept. "Our first European pension client was Nestlé in 1985 and we've grown from there," says Mr Humes.

"In Europe, a more persuasive selling point for us has been the ability to solve individual reporting requirements. For smaller or medium-sized institutions [banks, pension funds and asset managers] that cannot afford the costs of maintaining a back-office operation, the ability to outsource custody and other important services such as performance reporting, tax reclamation and accounting can offer huge savings," explains Mr Humes.

Pictet itself is a substantial asset manager in the Swiss market. Almost $55bn of the assets it has under custody are also invested by the bank. This intimate knowledge of the needs of fund managers translates into bolt-on business opportunities for the bank's custody operations.

Richard Humes: 'joint venture opened our eyes'

"Sometimes we find ourselves providing analytical tools that are outside the normal remit of custody," says Mr Humes. "We want to be a one-stop shop for clients that fits our niche profile. We can set up trust structures and offer tax advice because we already offer these services in our asset management business."

Systems – and the ability to tailor reporting and compliance in line with the needs of each client's fiscal and regulatory environment – is an advantage that few large custodians can provide. They are able to keep their fees low by providing a fairly standard service and then offering the same product to all comers. A more bespoke service costs a bit more, but for some clients it is necessary. It is these kind of clients that Pictet attracts.

Though Pictet's link with Mellon Bank ended in 1992, when Mellon decided to build its own global custody business and purchased Boston Safe Deposit and Trust, Pictet continues to see a portion of its future growth coming from strategic alliances. "In Australia, we have no banking presence, but we do provide global custody for the clients of Permanent Trustee, a statutory trustee, there," says Judith Webster, a vice-president at Pictet. It is a strategy that the bank will continue to pursue in selected markets.

For many clients the bottom line is very simple. Choosing Pictet means choosing a triple-A rated Swiss bank, with almost 200 years of experience in asset management and custody.

Margaret Morris

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ECONOMIC AND MONETARY UNION • by Margaret Morris

Challenge of *le weekend* looms

Custodians have agreed on a Big Bang approach to redenomination of currency

It is unprecedented. Never before have global custodians agreed on anything. And never before have the world's leading practitioners sat down at a table, ready to tackle one of the biggest challenges of a lifetime.

The Global Custodian Emu Forum includes all the world's largest custodians, with some 97 per cent of all cross-border assets between them. The purpose of the group is to make sure that clients, suppliers and counterparties understand the impact of Emu and that the transition is managed properly.

The group has supported the Big Bang approach in which the foreign exchange markets, money markets, the leading stock markets and most sovereign debt converts into the euro over the New Year weekend. James Bowes, Emu programme manager at Royal Trust Corp of Canada's global securities services and spokesman for the Global Custodian Forum, says: "We have supported all the efforts of the central securities depositaries, stock exchanges and governments to push through a Big Bang. Global custodians have a special role to play in this transition. As an industry, it has been very important that we have agreed on one way to approach '*le weekend*'."

Even though the concept of Big Bang is widely accepted, many issues around the process still need to be worked out. Top of the list is knowing which issues will redenominate. Euroclear estimates that 20,000 to 25,000 specific instruments will redenominate. Pierre Slechten, managing director of Euroclear, says: "We can't be more specific because we simply don't know."

Though the Emu-11 governments have agreed that most sovereign bonds will redenominate, big unknowns surround supranational and corporate bonds. There is no compulsion for any instrument to redenominate over the New Year weekend; the EU rules say that an issuer has two years in which to make the transition.

For issuers, redenomination can be a difficult process, both expensive and time-consuming, so it is no surprise that some issuers will simply wait until the next coupon date on a bond before redenominating. But the industry has set an informal deadline of September 30 for issuers to announce plans to redenominate over the transition weekend. Of course, all market participants expect to receive some late entries and systems will be configured to make the switch even if an issuer announces plans to redenominate in December.

Beyond knowing whether a given instrument is redenominating, custodians need to know the method used in the process. "The redenomination algorithm is not the same across all instruments and we need to know the algorithm to properly program our systems," says Euroclear's Mr Slechten.

Tracing cash across the settlement system will also pose a problem. Sean Quinn, global custody product manager at Citibank, predicts: "Many fund managers are setting up Emu-wide cash accounts, so it may be that they expect cash to sweep into that account from start of business on January 4. That's a challenge to custodians that previously had 11 separate cash accounts for that customer."

Looming largest on the horizon at the moment is the thorny problem of testing. Most custodians have been working on Emu projects for years – reconfiguring systems and developing new procedures. But all this change needs to be tested. For some time, a full-dress industry-wide test was mooted, according to Royal Trust's Mr Bowes. The idea of a dynamic test has been quashed as unworkable in the time available.

Instead, a different approach will be taken. Using the data sets available for August 31, most custodians and other market participants will simulate the transition on a stand-alone basis and then deliver the results to counterparties. This static test will allow all market participants to test systems and procedures using real data. Both Mr Slechten and Mr Bowes point to the efforts by the Bank of England, which even though it is not directly involved in redenominating UK securities because the UK is not part of Emu, has taken a leadership role in the provision of information on the transition. It was the Bank's idea to use the August 31 date for test batches.

For very large volume relationships, such as the one Euroclear has with Cedel and with DCS, the German depository, more dynamic tests are likely to occur. "Failures at this level would have a huge ripple effect," says Mr Slechten. "We won't let that happen."

Of course, testing does not end there. "We're working to pitch testing at the right level," explains Sue Brittan, senior business analyst at Mellon Bank. "What is now being discussed is how to manage the testing of a core portfolio of data between participants and then comparing results." Another global custodian explains: "Some clients, particularly those in Europe, are well advanced in their internal system work and testing and want to have a more complete test of what is actually going to happen. But for others, particularly those in the US or Asia, Emu is not as important and we are working closely with these clients and hope to do testing with them later in the year."

Some clients are way ahead in terms of preparations, explains Mr Quinn. "Broker/dealers are way ahead of the game," he says. "And European fund managers are naturally ahead of UK-based fund managers. In the UK, some managers don't think it will affect them that much and they are in for a few surprises."

In the run up to *le weekend*, global custodians are addressing the human resources issues. "We have a special policy regarding vacations from September, because we will be increasing the frequency of reconciliations and having a number of in-house dry runs," says Simon Olenka, director of product management in London at Royal Trust Corp of Canada's global securities services division. "And we are making arrangements for staff to stay in town over the New Year where necessary."

FUTURE OF CUSTODIANS • by Brian Bollen

Something more than plain vanilla

The custodian's role is becoming broader as clients step up their demands

Lucille Knapp: forecasts a redefinition of global custody

The rise of technology and the increasing sophistication of the client base have transformed the world of global custody and reshaped its future.

This is apparent first at the operational level, where state of the art systems are optimising liquidity and accelerating settlement, and second, at the service level, where the nature of the product is changing as, for example, dematerialisation spreads.

"The role of the custodian is becoming far broader," says Ruth Parsons, chief administration officer at Citibank Global Asset Management in London. "Banks might be using their vaults less and less for physical safekeeping, but clients demand more and more."

State Street's David Bilbe agrees that clients are always pushing for more and that custodians are moving in a very different direction from simple securities movement and control.

"Clients today are looking for a range of very complex services," he says. "Custodians are being asked to assume a more central role in information management, data collation and manipulation, standardisation and formatting, to help institutions manage, monitor and mitigate risk.

Custodians also provide compliance information, to help monitor activity and flag any breach before a trade settles."

As in any other industry, participants must improve continuously to maintain their relative positions. As for the future, no-one can predict exact requirements, but in a classic virtuous circle, the more time that banks spend analysing their clients' requirements and developing new technologies, the more tailor-made solutions they are likely to produce for individual problems.

According to Lucille Knapp, of European business development at Northern Trust, clients can look forward to an increasingly varied range of services which in effect will lead to a virtual redefinition of the global custody offering.

"Relatively few organisations actually want only core custody these days," notes Ms Knapp. "There will always be some in each client category who want what they see as the basic service, but even then the amount and quality of timely information that they need makes it something more than plain vanilla core custody."

Sophistication starts to mount, it appears, with reporting. "We take data in on trades, store it on our database and value assets daily. We can report to clients daily if that's what they want and progress along the value added continuum from there. Some clients want to see everything every day. Others might just want a two-line summary of their holdings once a quarter or twice a year.

"We hold 400,000 different asset types from around the globe and across the markets. Automation enables us to provide a vastly superior tailored service that would have been impossible even a short while ago.

"Who wants the extras? That depends entirely on what the investors feel comfortable doing. A small pension fund with a few pensioners will inevitably be less demanding than a massive pension fund that is more involved in the day-to-day running and demands lots of information.

"Take securities lending, for example. For some investors it's not appropriate, for others it's an integral part of their day-to-day routine. The needs depend on the structure of the client organisation itself, its sophistication and the amount of resources it has committed."

As investment regulations are relaxed in continental Europe, risk and performance measurement is one area widely tipped to be of increasing importance, with interest now focusing on how well institutions handle the introduction of the euro next year. Institutions with expertise in this area will enjoy a competitive advantage.

Northern Trust boasts a battery of branded services to help with, inter alia, risk analysis, risk strategy and risk management. This product suite enables clients to monitor asset allocation, investment style, risk and returns for individual portfolios and consolidations, to compare investment results against peer groups.

At the enhanced level, clients can order country, sector and security analysis, and attribution reports. With its alerts service, Northern Trust is offering what it describes as the industry's first automated online risk exposure and compliance monitoring tool, delivering more control over, and understanding of, an investment programme's risk exposure.

This eliminates the need for routine and daily scanning of asset lists and transaction statements. It can deliver an exception-based warning, via the internet, when a guideline has been exceeded, explaining why this occurred.

Clients can easily monitor or limit exposure to a percentage of total trust assets, derivative securities, leverage situations, specific countries and regions, specific asset classes and many other situations.

"We have built these products after listening to our clients," says Ms Knapp. "Out of regulation, consolidation and sophistication has come a thirst for information. As mergers and acquisitions continue in industry sectors internationally, multinational companies will find they have assets everywhere. We see a drive for different, better solutions for managing pension funds around the world.

"We also see a need for increased flexibility if there's a continued reduction in the number of custodians, and if we're to continue to serve the wide range of clients out there, not to mention new clients who will inevitably emerge as markets open up."

CORPORATE GOVERNANCE • by Jane Martinson

Vote for greater efficiency

UK institutions have become increasingly keen on corporate governance

Peter Butler: the system is not working very well

Institutional investors have a catalogue of bungled voting instructions and of voting deadlines being missed which have caused increasing concern, particularly in the UK. The fear is that global custodians and registrars are failing to cope with the increasing demand among investors to use their votes.

Peter Butler, corporate focus director for Hermes, one of the largest pension fund managers in the UK with more than $32bn in assets, echoes other managers when he says, "The system is not working very well at the moment. What's happening in this country is that there is a greater concentration on voting which has highlighted problems."

UK institutions have become increasingly keen to register their votes in recent years. Their interest in corporate governance has been largely prompted by the threat of government intervention and from strictures from bodies such as the Hampel committee and, in the future, the London Stock Exchange.

The pressure to become more active, however, has come up against failings in a system which is still largely paper based. One fund manager who refused to be named said: "A lot of custodians have probably been taken by surprise by the rapid increase in demand."

The UK system allows three weeks between information on annual meetings and its agenda leaving the company to the deadline for voting. In between those two dates the annual reports containing the information is typically sent to the registrar and then to the custodian before arriving at the investment house.

Michelle Edkins, corporate governance executive at Hermes, said: "It's very difficult and very cumbersome and at the peak of the season, it's a nightmare."

Between March and June this year, when most annual reports are published in the UK, Hermes noticed several cases of missing or inaccurate voting.

But the only way of knowing what had happened to its votes was to phone the company and check. As it typically does this only to explain why it votes against a particular motion – a rare event for Hermes as for most fund managers – the fund manager became worried about the potential extent of the problem.

It has called for all companies in which it invests to check the registrar for its vote on every occasion.

Mr Butler believes this labour-intensive method would be unnecessary if the UK adopted more electronic-based voting. "Nobody knows how large this problem is, but everybody is a bit unhappy about it. The only solution is to move to electronic voting."

Supporters of such voting point out that US investors, who are forced by pension fund legislation to vote, do not suffer the same delays and hiccups as their counterparts elsewhere.

Sarah Wilson, at Manifest, a voting services company, suggests that many fund managers are crying wolf when they complain about the delays. She says the company, which has 12 fund management clients, can make sure that they vote.

In spite of this, several executives at global custodian firms have admitted privately that the issue is one that the industry has still to tackle.

One senior executive at a US group said that custodians were far more likely to focus on making sure investors voted on important corporate actions such as rights issues, not least because failure to do so could lead to compensation. "There are many custodians who have paid out quite a lot because of failing corporate actions," he said. "Corporate governance actions are usually just an apology."

It is also the case that fund managers are far more likely to put more effort into getting information about such financial actions than they do about receiving everyday voting matters.

This relative lack of importance has meant that investment has not been directed at improving data flows and voting systems. "This has not really been given a top priority [by custodians] so not that much resource is applied to it generally," said Ms Edkins.

Clive Gande, managing director at Bank of New York, one of the world's largest custodians, says, "This is increasingly becoming a priority as pension funds in particular want to exercise their corporate governance [rights]."

Clients also worry that improvements in the system to enhance their voting records would lead to demands for higher fees. It remains to be seen whether institutions take their corporate governance responsibilities so seriously that they are prepared to pay above the odds for them.

These questions will be asked again and again as custodians become larger and take on more tasks.

The problems in the UK serve to highlight difficulties of registering votes elsewhere. In Japan, where tradition dictates the publication of most annual reports at roughly the same time, the system can reach overload very quickly.

"With some of the international investments, it's difficult to get past the starting blocks," said one corporate governance activist.

With international investing set to increase as pension funds continue to expand and diversify this issue is unlikely to go away. As one corporate governance expert pointed out: "In Spain investors sometimes do not receive the annual reports until the day of the meeting. That's a headache I'm sure few in the industry are facing just yet."

PROFILE RBS Trust Bank

Left-luggage trade no more

Many of the fund management and banking houses for which custody was historically a core business have been deterred by the low fees clients are prepared to pay for basic safe-keeping of securities. Another deterrent is the enormous commitment required to provide the technology and staff which higher value services require.

Barclays Bank sold its custody business to Morgan Stanley less than two years ago, but it passed the parcel to Chase Manhattan within a month of integrating the last assets into its systems. Société Générale and Mercury Asset Management have outsourced their entire back offices. Gartmore is no longer offering custody services. Schroders no longer automatically acts as custodian for all the assets it manages. Bank of Scotland's trustee business is now owned by State Street. Even Morgan Guarantee decided to sell its custody business to Citibank.

Royal Bank of Scotland has provided basic safekeeping services for more than 100 years

The past 18 months have seen a sharp contraction in the number of global custodians to the point where it is convenient to talk of the "Big Five" in the same way as one does of the international accounting firms. But not everyone is prepared to leave the field exclusively to them. In the UK, the contrary approach has been adopted by Royal Bank of Scotland which eagerly picked up the custody operations of S.G. Warburg when Swiss Bank Corporation decided they did not fit comfortably into its strategic plans for the merchant bank.

As a traditional clearing bank Royal Bank of Scotland had provided basic safekeeping services for more than 100 years. Over the past 25 years, however, the demand has been growing for a much wider range of services than what David Batten, director of relationship management at the newly-formed RBS Trust Bank, calls "a left-luggage operation". He concedes that "the US banks made the running when they arrived in the 1970s and began offering such add-on services as accounting. But it was when Mr Maxwell died that people really began to be anxious about the safety of their assets and the British merchant banks were able to offer technology-based services which tied in with their asset management for pension funds in particular."

Technology is what Warburgs has brought to the RBS Trust Bank mix. Royal Bank itself provided two-thirds of the assets under custody, with Warburgs contributing just a third. But the Warburgs clients were of a different order being mostly either pension funds or other fund managers with a need for a wide range of administrative services and immediate information. They were reassured that their needs would continue to be met on systems with which they were already familiar. Royal Bank's clients saw themselves as gaining extra services but provided by the same bank whose integrity and commitment to custody was unquestionable.

Combining both businesses created a company with £280bn under custody, making it the second-largest UK-based custodian (Midland Bank holds the top position with £400bn.) Moreover its strongest market position is among pension funds; it looks after the assets of 1,600 UK pension funds, including half of those whose parent companies are quoted on the FTSE 100.

Mr Batten, however, likes to emphasise the range of services RBS Trust Bank offers by referring to its unit trust clients which have specific needs for daily fund accounting, registration and dealing by unit holders and unit pricing.

The backgrounds of the two businesses also allow the new trust bank to sidestep two of the big issues which have deterred others from carrying out custody themselves. "We already report every transaction in as many as any three currencies of the client's choosing," says Mr Batten. "So next year's arrival of the euro holds no fears. And, touch wood, we haven't come across a Year 2000 hitch yet."

It is perhaps too soon to say whether RBS Trust Bank will bed down as a successful and permanent competitor in the market. Full integration of the two businesses will not be complete until the early autumn. But the two cultures seem to be rubbing along tolerably – always a difficult matter in the financial services sector where egos are so powerful. Mr Batten wryly notes that some mergers have not proved entirely happy, mainly as a result of culture and personality clashes. "But we were able to get everyone to agree what role they were going to do."

And, it seems, to share out the top positions to everyone's satisfaction. John Trueman, chairman, for instance, is a Warburg man. But the managing director, Gordon Lindsay, comes from Royal Bank's Glasgow connections.

Christine Moir

SECURITIES LENDING • by David Cowan

Lessons learnt from the Maxwell saga

Custodians have drawn back fund managers by playing an intermediary role

Custodians have played a pivotal role since the Maxwell saga in boosting securities lending volumes by offering programmes putting the custodian between the lender and borrower.

Securities lending is a low margin business and there is a risk/reward equation to consider, which combined with the Mirror Group pension fund's "creative" use of securities lending has made fund managers and trustees more cautious.

John Piccitto, director of group administration at Merrill Lynch, says: "What's happened is that fund managers, rather than doing it themselves, tend to give a lot of their securities lending business to their custodians, leaving custodians to vet and arrange acceptance of borrowers. All this came out of the Maxwell affair."

When the role of securities lending in the Maxwell situation was publicised many fund managers withdrew their collateral from the business, but by playing an intermediary role based on existing relationships, custodians have successfully drawn them back along with new entrants.

Mr Piccitto explains: "What this meant for custodians is that they could say to fund managers 'We'll do this for you, you can trust us, we've been working together for a long time.' What followed was that custodians saw they could control the process and persuade fund managers in because of the growth in the pool of available securities."

The Maxwell saga meant heightened attention was paid to the risks inherent in securities lending, namely default by the borrower and the use to which the collateral is put. These are now addressed by regular credit reviews of borrowers and tracking to ensure that all loans are fully collateralised. Fund managers have become more cautious in their lending programmes and are playing an active role in defining the dos and don'ts of lending.

This growing sophistication by both custodians and fund managers has demonstrated to potential new entrants the value of joining securities lending programmes. One such new entrant has been the Universities Superannuation Scheme (USS), which joined Chase Manhattan's discretionary global securities lending programme in May this year. The USS fund has in excess of £17bn covering a membership of 138,000, and is the principal superannuation scheme for academic and senior administrators in British universities and educational institutions.

Colin Hunter, chief accountant at USS, explains the rationale for using securities lending: "We shied away from securities lending a while back, but decided to revisit the idea. USS is keen to ensure that revenue opportunities are exploited within the constraints of risk mitigation, and we saw that while risk exists in securities lending there are considerable revenues."

The focus of the programme is risk mitigation, whereby all loans are pre-collateralised so that no stock is released to a borrower until the custodian receives collateral in excess of the value of the loaned stock. If the stock loaned increases to a value greater than the collateral held for the USS account then further collateral must be provided. The custodian indemnifies USS if insufficient collateral is held in the event of default. The custodian assesses the credit worthiness of all borrowers and only lends to those on its approved borrowers lists. The banks used to hold collateral by way of cash deposits and letters of credit must have an acceptable credit rating and approval by USS.

Mr Hunter explains: "The main constraints we placed on our custodian were that they only use non-UK collateral, because the income is not significant, and that we wanted the programme to be transparent to the investment manager, so if the investment manager wants to sell a security or vote then it's up to Chase to get it back. The investment manager shouldn't be constrained."

The industry standard for collateralisation of international deals is now a minimum of 105 per cent, compared with an average range of 100 per cent to 103 per cent a few years back. The steps taken by custodians to provide full service programmes combined with attractive standardised collateralisation minimum makes for an attractive business case. To further secure the business, the London Investment Bankers Association (Liba) has been working with the International Securities Lending Association (Isla) to consolidate the agreements covering securities lending transactions.

Mr Piccitto says: "We are working for a standard agreement to enable broker-dealers, banks, institutions and fund managers to sign one contract with one counterparty, rather than having all these different agreements for different types of business. I think this will be achieved sometime next year."

Robert Ash, vice-president at State Street, says: "The trend we're now seeing is that there is a more sophisticated view of the role of securities lending programmes, using more sophisticated tools in mitigating and quantifying risks. This is a happier situation than a few years ago when these issues were not addressed."

Jamie Ball (left): 'benchmarks can be very problematic.' Robert Ash (right): securities lending has grown very strongly

Mr Ash adds: "The last four years in particular has seen a very strong growth in securities lending, both in terms of clients joining programmes and the scale of assets on loan in the market. The reasons for this have been a wider recognition of the role of securities lending programmes and the continuing growth in borrower demand, in terms of new markets coming on stream and new products such as derivatives."

To show off their new-found maturity, securities lending providers are now offering benchmarks for customers to measure performance, with State Street and Securities Finance International (SFI) coming to the fore. The idea being that in order to manage risk you have to be able to measure it, but that may be easier said than done.

Jamie Ball, head of international securities lending at Mellon Trust, says: "Benchmarks can be very problematic. Owners of securities set different reinvestment guidelines, and it is difficult to make comparisons. Some may have a riskier profile while others may have a simple overnight low-risk profile. How do you compare across this range of profiles? It's a great idea in theory, but in practice it has yet to be standardised."

ASIA • by Louise Lucas

Cloud with a silver lining

Amid the pain caused by the turmoil has been closer attention to investor issues

The Asian financial crisis has been a cloud with a silver lining for the global custodian industry.

The downside, as stock markets across the region have halved, has been immediate and painful: slashed fees and a rapid fall in investment flows from the battered Asian countries, giving less business on the outbound front.

But on the plus side it has brought – or is in the process of bringing – consolidation to the industry, as to many others. Banks are carefully reviewing the areas they want to be in, and for some that will mean exiting global custodian services.

"The effect of the crisis has been to hugely diminish the value of the holdings that foreign investors have in Asia, and to diminish the attractions of Asia as a home for new investments," says Michael Hamar, managing director global investor services Asia-Pacific at Chase Manhattan Bank.

"But it may be that a number of banks providing custodian services will diminish because as banks begin to focus their activities people without commitment or a global presence will decide it's a business they don't want to specialise in."

Within this flux, a number of investor issues have been put up for closer scrutiny – settlement processes, safety and security of investments, and soundness of local sub-custodian details.

Safety of physical share certificates has also been an area of concern. Neither India nor, critically, Indonesia have fully paperless trading – so when images of fire-bombed shops and banks in Jakarta were beamed around the world last May, institutional investors reached for the telephone.

"The big concern when Indonesia flared up was that there was so much paper involved in the process, that when that situtation happens you have to be wary about the security of vaults," says Giles Elliott, vice-president Asia-Pacific network management at Chase Manhattan Bank.

"Are records of the register suitably protected and backed up if the office is on fire? It raises a lot of important questions about the market integrity and security under these sorts of systems."

Indonesia's long-mooted plans to establish a depository is likely to be further delayed by the turmoil. But in India, the move to paperless trading is largely on track, to the huge relief of custodians and their clients.

Previously, changing title on certificates was a lengthy and "highly problematic" task, says Mr Elliott – applications to be re-registered could be rejected for many reasons, such as discrepancies in signature.

He reckons "just about every foreign investor probably suffers from an ongoing percentage of purchases which are technically under objection or registration". In the meantime, dividends went to the previous (named) owner and the actual owners were unable to execute quick sales.

That is changing. Institutions have been dematerialising as much as possible, although the overall move has been held back by India's legions of retail investors who, for reasons perhaps sentimental, are wary of relinquishing their physical certificates.

On August 10, up to 50 stocks will have been moved to paperless trading. There is a tentative target of 100 by the year end; but critical mass is unlikely to be achieved much before the new millennium, bankers say.

Elsewhere around the region, the Philippines recently moved to a depository system and Pakistan is working towards shifting all its securities into a similar system. In Japan, the problem is less one of inefficiency than a shrinking market and price wars among the sub-custodians.

Asia as a whole remains a small market. Out of the US$4,400bn under global custody, $100bn is estimated to rest in Asia excluding Japan. Hong Kong, the regional financial centre, lays claim to some $65bn of that.

The size of the market is partly a reflection of the lack of national retirement schemes. In Hong Kong, a mandatory pension fund is expected to become operational in 2000; in other markets, similar plans have been put on ice.

In the wake of the crisis, any progress in galvanising Asian markets is likely to be pushed back. "I think the turmoil will initially give the global custody and investment management industries a two to three-year setback," says KK Tse, senior vice-president and managing director at State Street.

"After that period the current turmoil will make Asia much leaner and stronger and by that time people would also be more sophisticated."

This is partly as investors realise they can no longer count on their domestic stock markets to provide them with the annual returns of 15 to 20 per cent to which they had become accustomed, and look instead to diversify their portfolios.

"Where are people going to find the money to invest in anything when the majority of the middle class has been wiped out as a result of this turmoil? It really will take three to five years for us to see reasonable development of the mutual fund market," says Mr Tse.


Jakarta: images of fire-bombed shops caused concern among institutional investors AP

For global custodians, the delays can be weathered thanks to robust activity in other markets. Sub-custodians, the network of agents who manage assets for the global custodians in different markets, are likely to see the biggest impact from the Asian crisis.

The Asian market is dominated by Standard Chartered Equitor and HSBC Security Services – the so-called "regional" custodians – and are supplemented by a host of banks branches. Being more reliant on the Asian market, they will have seen assets under management slashed and as a result, their fee income from that management will have been cut.

However, as Mr Tse points out, their costs will have receded in US dollar terms, as staff and rents are largely paid in local (depreciated) currencies.

Thus for them, too, the seemingly gloomy picture is not uniformly bleak, particularly for the better known names. Or, as Mr Hamar puts it: "What we are finding is that while the shock is imposing some strains and challenges, there is a silver lining as people will look more closely at where they make their allocations. We benefit from flight to quality."

INDIA • by Krishna Guha

Enter the electronic age

The shift to paperless trading represents serious management challenge

India's custodial services industry faces radical change this year, as the migration from paper share certificates to new electronic systems gathers pace.

The shift to electronic records is putting severe pressure on margins at a time when business is depressed by a withdrawal of foreign investment following India's nuclear tests and the imposition of economic sanctions.

It also represents a serious management challenge, with the need for a fundamental re-organisation and investment in new systems. But bankers say the advent of electronic systems will also open new opportunities for value added services that could prove the salvation of the industry.

The transformation began late last year, when the Securities and Exchange Board of India ordered institutional investors to sell shares in eight leading companies in electronic form only. This forced them to begin the process of converting these shareholdings to electronic form in earnest.

Since then, Sebi has expanded the list of stocks. "The original eight stocks became 30 from June 1 and it will expand further to 50 stocks by August 10," says Chandrashekar Bhave, managing director of the National Securities Depository.

Mr Bhave says institutions have now converted shareholdings worth Rs350bn from paper to electronic record, and this process is gathering pace.

Initial fears of a lack of liquidity in the electronic market – which has not taken off as hoped – were calmed by a recent Sebi order that electronic shares count as good delivery in the physical market too.

Investors are now increasingly enthusiastic about paperless shares, which offer lower portfolio management costs, exemption from stamp duty, smoother delivery and security from forged share certificates.

In principle, the shift to electronic record also makes life easier for India's custodians. "Custodian banks will see a lot of paperwork completely disappear," says Mr Bhave. "They used to carry on endless correspondence with registrars and brokers over faulty stock."

He says the absence of faulty stock will also make it easier to track and collect dividend payments – often held in abeyance while the legitimacy of share certificates are challenged.

But as far as custodians are concerned the gradual demise of the great Indian paperchase means the end of a highly lucrative business.

"Margins are being squeezed," says a banker at ANZ custodial services. "Physical settlement offered big margins – there were a lot of risks, a lot of processing work and a lot of fake or forged shares."

He says custody fees have fallen from about 30 or 40 basis points a year to about 8 to 10 basis points for portfolios held in electronic record. Industry experts say this is an intermediary floor – and fees will drop again once the shift to electronic shares is complete.

However, while there is strong downward pressure on fees, costs are going up. Custodian banks have been forced to write off investments in paper processing and plough money into new systems for electronic record – including remote terminals linking them to the National Securities Depository via satellite.

At the same time they still have to maintain parallel systems to deal with paper shares. The move to electronic record is only beginning – as 93 per cent of the market capitalisation is still in paper form.

Managing this hybrid system is difficult. "Effectively you have to manage two operating systems side by side," says Arjun Bambawale, general manager at Hongkong Bank custodial services.

The existence of two types of shares also creates complications with delivery. Paper shares are settled on the basis of a fixed settlement period, electronic shares on rolling settlement. An institution buying a single block of shares may receive some in paper and some in electronic shares – which reach the custodian on different days.

To make matters worse, foreign investors seeking to buy Indian equities no longer have to park their funds with their custodians for a long period (typically a two week interest free loan) – worsening the custodians' cash flow.

Managers are also grappling with the question of what to do with the armies of clerical staff employed to chase paper when the move to electronic record is complete.

"The number of people required in a paper environment is much larger than the number required in a paperless environment," says Mr Bambawale. "You also have some form of a shift in the skills of the people you use – with more focus on information technology." Restructuring, though, is difficult in a country with strict labour laws and strong banking unions.

However, while the transition to paperless shares promises to be tough for India's custodians, it holds the promise of new opportunities. One of these is a lucrative business serving local clients.

Most international banks have traditionally fought for business from foreign investors – clients with large chunks of money to invest and prepared to pay high fees for good service.

But as fees come down and managing electronic accounts becomes easier, high volume local business looks increasingly attractive. "Only about 8 per cent of market capitalisation is held by foreign institutional investors," says the ANZ banker. "Domestic institutions and companies hold almost 35 per cent."

He says banks with strong corporate relationships in India could offer custodial services to their clients. Electronic record also makes it economical to court private investors – who can then secure personal loans on their portfolio.

"We see big opportunities on the retail side," he says. "With a large branch network there is huge potential for retail accounts." This will take time, though, as private investors are still reluctant to surrender their certificates.

Electronic records also open the door to new value added services – such as stock lending. "In the electronic environment it is easy to lend and get back stocks," says Mr Bambawale. "In physical form it would take a very long time." Moreover, the risk of fraud was too great.

India's custodian banks would not lend shares themselves – the shares are held in the name of their clients not in trust – but could profit from services: collateral management, risk management and margin management.

Bankers hope that in time revenues from value-added services will make up for falling custody fees. This will never be as easy as collecting good money for pushing paper. But long term, the shift from managing inefficiency to creating value can only put the industry's prospects on a sounder footing.

PROFILE Chase Manhattan

Home-grown expansion

Nothing shows the concentration of power in the global custody business like the growth in assets under custody by the top ranked global custodian – Chase Manhattan Bank.

Last September's annual league table by *Institutional Investor* magazine placed Chase top of the 25 global contestors, with funds under custody of $1,288bn.

But those figures were for the year ended 1996. A year later the figure had jumped to $4,452bn before taking into account the further $400bn of assets brought in with the acquisition of Morgan Stanley Trust Company and Morgan Stanley Bank Luxembourg.

Chase modestly chooses to understate the total as $4,700bn. It is irritated only when non-US competitors try to belittle the global nature of this achievement. They say that few US custodians have made much headway other than with American clients. Chase is proud of the fact that it can lay claim to $1,800bn of cross-border assets, nearly $1bn of which are from European or Asian clients, rather than native Americans.


Jeremy Jewitt: sees big opportunites in Europe

Jeremy Jewitt, the senior vice-president for Chase responsible for Global Investor Services in Europe, the Middle East and Africa, is "willing to bet that we have more business originating outside the US than any of the other Big Four". He also sees "indigenous European businesses offering us the greatest opportunity for growth".

Mr Jewitt's other main concern is to differentiate Chase's style and stategy from those of the other premier league competitors.

All of them have long since transcended pure safe keeping and dividend collection to encompass just about every form of management accounting and administration associated with fund management.

Not only do they claim to be able to run the entire back office for an investment house, some have invented the term "middle office" to cover the newer services they offer, such as daily or even hourly portfolio valuation and risk assessment to monitor how closely portfolios meet regulatory or voluntary internal restraints.

Of the main competitors, Mr Jewitt concedes Citibank may be present in more foreign locations "but that is purely as a bank. We have a broader range of fund servicing capabilities in more jurisdictions than anyone else."

These include management accounting; valuation and/or pricing to meet client's timing; shareholder/unitholder record keeping; portfolio analytics to monitor performance; and compliance reporting to regulators. These services are offered in any relevant currency, including the euro.

All these forms of record keeping are available to Chase's institutional clients, but from next spring there will also be a retail transfer and agency service, allowing accurate records of cash owed to/from shareholders or unitholders on sales or purchases.

A further new development is what Chase calls "consolidatory reporting". This is a service tailored for multinational fund management groups who need consolidated accounts and must comply with regulations and fiscal and other legal requirements in different jurisdictions.

At present it is limited to a few clients of unusual size and complexity, but there are plans to broaden its suitability.

However, Portfolio analytics is the service in which Chase feels it shows a clean pair of heels to its rivals. Analysing portfolios as a preliminary to assessing performance is still widely seen as the role of consultants, especially actuaries.

Some years ago Chase straddled the fence by arranging for the clients whose funds it managed to have access to the analytical service of independent consultants Frank Russell.

Some Chase clients still use this access even though Russell is now a Mellon Trust subsidiary. Meanwhile Chase has developed its own proprietary analytical service, predictably called the Analyser, and feels no need to rely on outsiders again.

Going it alone has become a hallmark of Chase. It rarely buys businesses; though one recent exception was the purchase of Morgan Stanley's custody business. It does not even like joint ventures. State Street, one of its close competitors, freely admits to joint ventures with Bank of Ireland Securities Services, Bermuda Commercial Bank and NedBank of South Africa with more on the way.

Mellon Trust has a joint venture with CIBC in Canada, Den Danske in Denmark and is looking for more European partners. Mr Jewitt insists Chase has none.

Chase also intends to stay alone – as a way of staying ahead. Where others are happy to buy and sell technology as a way of keeping abreast of new advances, Chase prefers to grow its own, which it then guards jealously. "We don't sell software to third parties," staff say brusquely.

Christine Moir

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PROFILE Intersettle

A mouse is set to roar

Charles Hanslin: 'we are the only real-time settlement platform'

Ambition has always been a whispered word in the high-tech palace that houses Intersettle which started life as a Swiss outsourced custody service and is now a hybrid between global custodian and international depository.

What has put Intersettle on many custodians' radar screen is the cross-border equity service links to Easdaq and the Isma Trax service.

Intersettle was chosen by Easdaq as the settlement mechanism for the pan-European stock market over other contenders, notably the international clearers Cedel Bank and Euroclear. In addition Cedel Bank had its own cross-border equity service, called Liberty.

Charles Hanslin, a member of management and head of global marketing at Intersettle in Zurich, explains: "We were chosen by Easdaq because we were the only real-time settlement service; the only one willing and flexible enough to adapt our systems; and we were specialised in equities."

The Trax link means that trades take three minutes to be processed from trader input through to settlement at Intersettle, with same day settlement. Anything between 1,000 to 2,500 trades are handled a day, with 85 per cent to 95 per cent settled on the same-day.

Mr Hanslin notes: "It is not 100 per cent because we have some deliveries going to Euroclear and Cedel Bank, and these are a little more complicated because they are batch processing."

In the early days, Intersettle raised a few eyebrows in Swiss custody circles with ambitions to offer services to all who wanted access, but a few words in the right places stood between Intersettle as "the custodian for Swiss banks" and becoming "the Swiss international securities depository". The idea behind the venture was simple: to consolidate the settlement processing of cross-border business at one single point in Switzerland, thereby reducing the number of links required by member banks.

The controversy arose when it became known that Intersettle was exploring notions of providing custody services to non-Swiss banks, thereby putting them in competition with their owners. They have since backed off from directly competing, but have never lost the appetite for expansion. Today, Intersettle operates in 37 markets, including Easdaq, through online real-time links to the key markets. Other markets are handled via the Swift network in batch-process mode. The client mix is 74 per cent Swiss-based, including foreign banks in Switzerland, and 26 per cent foreign-based.

Intersettle offers a range of custody and value-added services, but it is not a conventional custodian. Mr Hanslin explains: "The difference between us and a global custodian is that we force our customers to link up with our settlement EDP platform, so they need to make the necessary adaptation. The reverse is normal with global custodians.

"Intersettle is somewhere in between being an international depository and a global custodian. The international depositories have a clientele of thousands more than us, and do in-house clearing. We do settlement and clearing, the latter being done in the local market.

"Clearing is the easy part: it is the settlement and the value-added services which are the big part of the business."

Intersettle has defined for itself a niche position, but does it have the profile to become the premier pan-European hub? "Absolutely, absolutely", says Mr Hanslin.

"The advantage being that we are the only real-time settlement platform, and we offer cross-border straight-through processing, which I define as from client to market and back again, and this gives us the competitive edge. We have also traditionally focused on equities, we have a lot of skilful people, and are able to offer a globalised service."

He adds: "The idea of building a clearing powerhouse across Europe is a reasonable idea, but the question which needs to be addressed is the harmonisation of technical and market standards. Different settlement practices operate in different markets, and these would need to be harmonised to allow for straight through processing."

"We see that there is a concentration process. Who will be the winners is difficult to say, but what is needed is an excellent EDP platform and the ability to live from revenues in the business without being too expensive. Intersettle is an option in the market, and the market will decide where to go, but we are in a very strong position," says Mr Hanslin.

One question that may soon be raised is that of a credit rating. When Cedel became a bank it attracted top ratings from the credit agencies, while recently the Amsterdam depository Kas Associatie was downgraded by one agency, so will Intersettle be rated?

"Intersettle does not have banking status, and so we do not need a credit rating," points out Mr Hanslin, "but we are supervised like a bank, report like a bank, behave like a bank, and handled like a bank. In the future, who knows?"

The company plans to develop further. The next push comes in September when the Swiss domestic repo market is launched, with an international market expected next year. Intersettle has positioned itself to handle these trades. At present it is maintaining a distance from the derivatives market since that is handled in Switzerland by Soffex, the Swiss derivatives exchange.

Before the launch of Intersettle Wolfgang Michaelis, chief executive of Intersettle, offered a comparison with Cedel Bank and Euroclear: "We are a mouse and they are an elephant". As Intersettle seeks to expand its role it may gain the reputation of being the mouse that roared.

David Cowan

AFRICA • by Greta Steyn in Johannesburg

Opportunities abound

Many African countries are beginning to modernise their financial sectors

Derick Nel (left): 'we have had to replace antiquated systems'
Vivienne Mileman: 'Africa is becoming part of the global market'

South Africa and other African countries are liberalising and reforming their financial markets, creating a bigger and more challenging market for the providers of custody services.

Turnover on South Africa's financial markets has been soaring as the country rejoins the global economy after years of isolation. Other African countries are also climbing on the globalisation bandwagon, modernising their financial sectors and in some cases creating markets from scratch. All over Africa there are vibrant, albeit small, financial markets that will make increasing use of custody services.

The most important factor for the South African market is the easing of foreign exchange controls, which means South African institutional investors increasingly require offshore custody services. Conversely, South Africa has carved a niche as an emerging market and its burgeoning attractiveness to foreign portfolio investors places new demands on local providers of custody.

South African providers of custody services are gearing up for a big change on the equities market – the advent of paperless scrip in the first half of next year. The dematerialising of trading on the Johannesburg Stock Exchange will do away with the need for vaults to keep scrip and with cumbersome settlement procedures requiring the movement of paper. For custody providers, the emphasis will move away from the handling and managing of physical settlement to technology-based services that enable institutional investors to monitor their investments.

The changing nature of the local market, and the new demands from reforming African countries, have led to South African banks forming alliances with foreign banks to offer global custody services. The most recent announcement came from the Standard Bank of South Africa, which in May this year formed an alliance with the Bank of New York, one of the world's leading global custodians.

The agreement gives Standard Bank's institutional clients access to the Bank of New York's 87-market custodial network, offering a range of global custody services, investment reporting, portfolio analysis and performance measurement products.

One of the reasons for forming the alliance was the easing of exchange controls, which meant South African institutional investors are now allowed to take 15 per cent of their assets offshore through asset swaps. Only a fraction of cash flows can be invested overseas without making use of the asset swap mechanism; the freedom to invest cash flows is likely to increase in time.

Vivienne Mileman, director of Standard Corporate & Merchant Bank Financial Asset Services, said as South Africans became global investors, they increasingly needed to manage investments in a multitude of markets across multiple time zones. "The Bank of New York's global reach, across 87 markets, and its ability to provide on-line access to custody-related information all over the world, provides South African asset managers and investors with the ability to manage their international investments effectively."

The Standard Bank provides custody services in eight sub-Saharan African countries – Zimbabwe, Namibia, Botswana, Swaziland, Kenya, Zambia, Ghana and Nigeria. The bank is looking at providing services in three more countries by the end of the year – Tanzania, Uganda and Malawi.

"Africa is increasingly becoming part of the global market and needs custody services as financial markets grow. It is true that these markets are illiquid and that investor confidence is still lacking. But there are advantages, such as that new stock exchanges are started up with the best technology and without paper," said Ms Mileman.

Nedcor Bank has entered into an agreement with the State Street Bank and Trust Company of Boston, which offers services in almost 90 countries worldwide. Derick Nel, Nedcor's general manager scrip and custodial services, said South Africa custodians had had a lot of catching up to do as the country's markets opened up and as local investors moved offshore. "We have had to replace antiquated systems, especially as volumes soared on the stock exchange."

Mr Nel said links with foreign providers of custody services enabled local banks to provide integrated accounting reports to South African institutions on their offshore investments. He believed a growth area in the market was likely to be cross-border securities lending. Nedcor was talking to the Reserve Bank to clarify exchange control issues that affect securities lending.

Mr Nel also saw the rest of Africa as a growing market, which would be facilitated by State Street bank providing custody services in African countries in the southern African region. One of the drawbacks of doing business in Africa was the lack of up-to-date technology, but this also presented an opportunity to custodians to get the right technology in place. "This is a technology-driven business," Mr Nel said.

However, Chase Manhattan, also a leader in the global custody market, does not yet see significant growth opportunities in the African market. Ramy Bourgi, the bank's senior vice-president for global investor services, said the focus was still very much on South Africa, with other African countries peripheral. "We see a good market for custody services where there is a mature institutional investor base, and other than South Africa, African countries do not really offer that." The US bank does, however, provide services to central banks and multilateral lending agencies in Africa.

"Generally, the opportunities are still limited in Africa, especially where capital controls exist," he said. Mr Bourgi said the easing of exchange controls made South Africa a more attractive market, as it would create opportunities for the bank to offer its cross-border expertise.

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RUSSIA • by Astrid Wendlandt

Reforms make the going much tougher

Russian corporate laws are now clearer and more rigorously enforced

The days of easy money-making are over for global custodians in Russia. Competition among them has become strife, their clients more timid and the Damoclean sword of a rouble devaluation ever more threatening.

But, at the same time, custodians enjoy in Russia a more regulated and healthier environment than before. Russian corporate laws are clearer and more rigorously enforced, Western standards of disclosure and accounting are more widely used and the trading and registering of securities has taken a more modern and efficient turn.

One key development in that direction is the growing authority of Russia's Depository and Clearing Company (DCC), the Russian equivalent of America's Depository Trust Company. "The DCC is becoming a bigger player in the world of custody in Russia," says Michael Pernetti, head of custody at ING Barings in Moscow, which holds $9.8bn in assets in custody in Russia.

The DCC is already the main depository for several Russian blue chips and its role should continue to expand. Custodians say the DCC will save them time and money. By acting as a sub-custodian based in Moscow, the DCC will spare custodians lengthy travels across Russia's 11 time zones to register their clients' trades. It will also significantly speed up the settlement process. Still today, many Russian companies do not have a registrar in Moscow, thus compelling custodians to visit their premises, even if they are in remote Siberia, to register and settle trades.

Although much progress has been made, the DCC is having a difficult time settling itself on the market as Russia's undisputed central depository and settlement agency. Many market operators support the DCC, but the government is less enthusiastic. "The government is not playing the active role it should," says Mikhail Alexeev, deputy chairman of the board of Oneximbank, the largest Russian custodian, with $10bn in assets in custody.

Bankers say the DCC does not enjoy real backing from the Federal Securities Commission, Russia's capital markets'watchdog, while the Central Bank is pushing for another agency, the young National Depository Center, to do the job. "There is no consensus among government institutions about who should fulfil that function", says Mr Alexeev.

However, there may be room for agencies. Custodians predict the Central Bank's protegé, the NDC, which started last May to work as a depository for government bonds, will end up overseeing the fixed income market and the DCC will get the equity market. "With a market this big, there should be room for more than one depository," says Nick Orchard, head of custody at Credit Suisse First Boston in Moscow.

Aside from the ongoing rationalisation of the settlement and depository system, the other good news for custodians is that, financial crises aside, it is becoming safer to hold Russian shares. Although most shares are available only in dematerialised form, the probability that an investor will lose his or her shares due to carelessness or fraud has been significantly reduced. "The risk that your name will be erased from the registrar's books is very slim," says Paul Blyumkin, custody manager at Templeton Global Investors, one of the largest investment funds in Russia.

While the Federal Securities Commission (FSC) may not be doing much to boost the DCC's authority, on the other hand its chairman, Dimitry Vassiliev, is becoming an adamant defender of shareholders' rights. In an effort to rekindle investors' confidence in Russia's equity market, Mr Vassiliev launched a campaign earlier this year to strengthen the voice of shareholders, in particular that of minority participants. In the process, he reprimanded two leading Russian oil companies, Yukos and Sidanco, for violations.

Mr Vassiliev is trying to give the FSC the image of an unbiased securities markets' regulator, detached from Russia's chronic business clan disputes and squabbles. The FSC is also pushing through parliament a bill that will introduce stiffer sanctions on corporate law violations. For example, companies that procure false information or fail to provide required information will face significant sanctions.

Custodians may enjoy a safer and more regulated milieu to work in, but business itself has seen better days. The Russian stock market has been melting since the early days of spring, scaring off foreign investors, and competition between custodians is increasingly tight. By now, all the largest global custodians have landed in Moscow. Credit Suisse First Boston, Chase Manhattan, ING Barings, ABN Amro, Citibank, Fleming UCB are competing among themselves for the few investors left.

These foreign banks have to share the market with Russia's two custody giants, Oneximbank and Vneshtorgbank. The former is one of Russia's largest equities custodian while the latter is a leading foreign debt custodian. Often, these two banks act as sub-custodians for foreign banks.

Moscow: Russia's Depository and Clearing Company will spare custodians lengthy travels across 11 time zones AP

What global custodians have going for them is that foreign investors find it difficult to play the Russian market without them. Increased regulation brought an increased licensing of trade, rendering Russian capital markets less accessible to outsiders. Hence the need for a locally licensed custodian who can represent the investor, register trades and speak the language.

As soon as Russia sweats out its financial flu, foreign investors will see two new instruments appearing on the market: the European Depositary Receipt, the European equivalent of the ADR, which will give Russian equities exposure on Europe's main trading floors, and Russian corporate bonds.

The average Russian portfolio of global custodians is made up of T-bills, ministry of finance bonds, telecommunications, oil and gas and energy equities. Bold investors may also hold some *veksels*, or promissory notes, and municipal or regional bonds.

TECHNOLOGY • by Tim Steele

Engine of change and expansion

Emu and the 'millennium bug' are adding to pressures to update systems

Together with globalisation, technological innovation is a prime driver of change within the global custody business.

Addressing delegates at the recent Securities Industry Association operations conference in California, SIA president Mark Lackritz went so far as to describe 1998 as "the year of the systems challenge".

Fellow speaker Joseph Grano Jr., president of the PaineWebber Group, stressed that the pricing elastic nature of the securities business is forcing providers to offer clients a "value proposition" through differentiation via both service levels and technology.

Economic and monetary union and the issue of Year 2000 compliance have thrown the spotlight on systems, forcing market participants to retool legacy systems or even outsource the processing function.

Similarly, technology is the key facilitator when it comes to engineering the "virtual pipeline" that will make universal straight-through processing and a global T+1 settlement cycle – necessary to reduce settlement risk and accommodate the ever increasing transaction volumes within the industry – a reality.

Technological advances come at a price, however. The consolidation sweeping the custody business – most recently shown by Chase Manhattan Bank's acquisition of Morgan Stanley Dean Witter's global custody unit – has partly been triggered by the infrastructural cost burden providers must shoulder. For those, such as MSDW, for which custody is not a core strategic business, withdrawal is the only long-term option.

"IT is a major spend and affects the efficiency of your operation and your ability to transact ," says Nick John, manager, client information services at Chase. "In terms of scale and the profitability dynamic, it can be fairly daunting to imagine the kind of investment you need to make to keep pace. You have to spend a lot of money to stand still, as it were."

Certainly cost – including systems financing – is a almost insurmountable barrier to new entrants, says Keith Hallman, manager of investment information services at Mellon Trust. "[Custody] is not something you

Andrew Tucker: cost is a barrier to new entrants

are going to want to make a big investment in because it is not an environment where 'if you build it, they will come' – the competition is tough out there, and Mellon and many others have been investing in technology for decades," he says.

Andrew Tucker, partner at Brown Brothers Harriman, agrees unreservedly: "In terms of de novo operation, there will not be a new custodian coming along anytime soon."

In recent years, custodians have poured resources into extending the breadth of their product offerings beyond the core safe-keeping function through the addition of "value added" services, such as performance measurement and securities lending. Now the focus is again shifting, with custodians using technology to offer clients greater service.

"The actual benefit of new technology is starting to precipitate across to the client – whether it is service, products or opportunity, or how the client then implements it in their own world – and that precipitation is happening much quicker," says Mr John. It is down to the custodian to "make sure we are not only better equipped to transact in a global world more efficiently, but to start to leverage technology to create new value added products", he adds.

A move toward the enhanced connectivity offered by open systems architectures and new messaging technologies, such as the internet-derived TCP/IP protocol, promises faster and more efficient communications and distribution. "The client perceives extra benefit [in the shape of] better settlement, less pipeline liquidity risk and the ability to import transaction information faster," says Mr John. "More than that, it allows the custodian of yesteryear and the securities processing company of today to look at information products rather than the datacentric products they were used to."

Hampton Lynch, chairman of Brown Brothers Harriman in London, agrees that "custody really has become an information delivery business, rather than purely a securities processing business".

"The trend now is to take the massive amounts of data the global custodian almost inevitably picks up as a function of doing the processing and custody, and turn that into information that is available in a very flexible manner to your client," says Mr Lynch.

This ability to re-engineer, aggregate, contextualise and otherwise enrich data drawn from across the custodian's product offering – melding it into information that can be accessed by the client via a data repository or "warehouse" – is seen as a crucial tool in an increasingly commoditised business.

"The dataware housing concept allows you to take mainframe scalability and pump it into a database where it is much more user-friendly," says Mr Hallman. "You should be able to offer [the client] a plethora of data, measuring performance at the consolidated level, manager level and security level and then, moving further up the food chain, to do attribution against that performance, and give the fund manager or plan sponsor information on where they are making the right investment decisions."

At heart, custody remains a relationship business, and technology must be seen as a means to the end, rather than an end in itself. "Obviously technology is a tool like any other that has positive and negative attributes," says Brown Brothers Harriman's Mr Tucker.

"If technology means your clients are just talking to a machine and there is no client service override on top of that, then I'm not sure technology is all that friendly as far as the client is concerned. This is still a people business, and there is a tremendous array of information, and indeed processes, that do not necessarily fit into a little black box and allow people to operate at a distance via a terminal."

Hampton Lynch adds: "If you look at some of the industry surveys, when respondents are asked to rank services in order of importance, technology comes well down the list – nowhere is it in the top three [priorities]. So to focus everything on the issue of technology and the system spend is to forget that clients will tell you that yes, it is important, but it is not that important."

Tim Steele is editor of Clearing and Settlement magazine.

هكذا من الأصل

REGULATION • by David Cowan

Spotlight switches to the back office

In London, the Financial Services Act launched a new era in UK regulation

Regulation has come a long way since the days of a good solid handshake to seal a deal. The questions pondered by industry professionals revolve around what impact increased regulation is having, how to reduce risk across borders, and whether the days of self-regulation are over.

John Langton, chief executive and secretary-general of the International Securities Market Association (Isma) in Zurich, comments: "The days of self-regulation are not completely over. I think the demise is greatly exaggerated. At the institutional level, where everyone understands the business, it clearly is important to retain self-regulation. But even then, self-regulation cannot flourish at any level unless it fits within the broader regulatory framework."

In London, the Financial Services Act marked the beginning of a new era in domestic UK regulation, but the change in attitude did not happen until the Maxwell saga.

Regulation was no longer perceived solely as an issue for professionals, rather it went further down stream to consumer's savings, pension and insurance policies.

At the National Association of Pension Funds (NAPF) conference last November, Howard Davies, chairman of the Financial Services Authority (FSA), told delegates: "In retrospect, it would appear that the insurance industry did not take regulation particularly seriously in the early years of the Financial Services Act. Of course, they appointed compliance officers and the other outward and visible signs of regulatory observance. But it is apparent that, by and large, organisations did not adjust their behaviour significantly to match the demands of the new environment and did not appreciate the consequences that might flow from their failure to do so. In other words, they did not appreciate the need to manage regulatory and reputational risk."

The issue of risk management gradually pushed the back office into focus, and the stakes in the custody business were raised. The issues raised by the FSA's predecessor, the Securities and Investment Board (Sib), for custodians to address included:

■ A firm should be made contractually responsible for losses in its nominee companies. This would provide added certainty that if the firm were then to default, a private investor could make a claim on the Investors Compensation Scheme;

■ A firm should make its customers aware of the risks attendant on custody;

■ A firm should not use its customers' investments for its own (or other customers') account without obtaining clear and express consent;

■ A firm should consider the effect of a third-party custodian becoming insolvent.

David Watson, director of marketing and business development at Lloyds Bank Securities services, believes these were issues for the end-users of custody rather than the custodians. Mr Watson notes: "None of these were really issues for a proper independent custodian. The effect on the business has been that the role of independent custodians is now accepted and the status of custody has been raised. Pension fund managers are now more aware and involved in the appointment and review of custodian. This has been a post-Maxwell awareness enforced by the Pensions Act."

While national regulatory regimes have been strengthened there is still concern when transactions go across borders. One solution to create greater certainty in such transactions has been the introduction of standard industry agreements, aimed at creating a single contract that all participants can sign and use, on the principle that after all 200 bankers can't be wrong. There is debate, however, whether this resolves all the risk issues involved.

Eric Bettelheim, a partner at Mayer Brown Platt, views standard agreements as indicative of a herd instinct in the financial markets. He argues: "There are two problems with standard industry agreements. First, they stop people from thinking about the particular contracts involved. Second, they are not revised. Laws change, opinions change. The history of development of these agreements is that the legal opinions gathered are very narrowly drawn and, in a cross-border deal especially, it is likely that you'll have stepped outside the terms of the agreement."

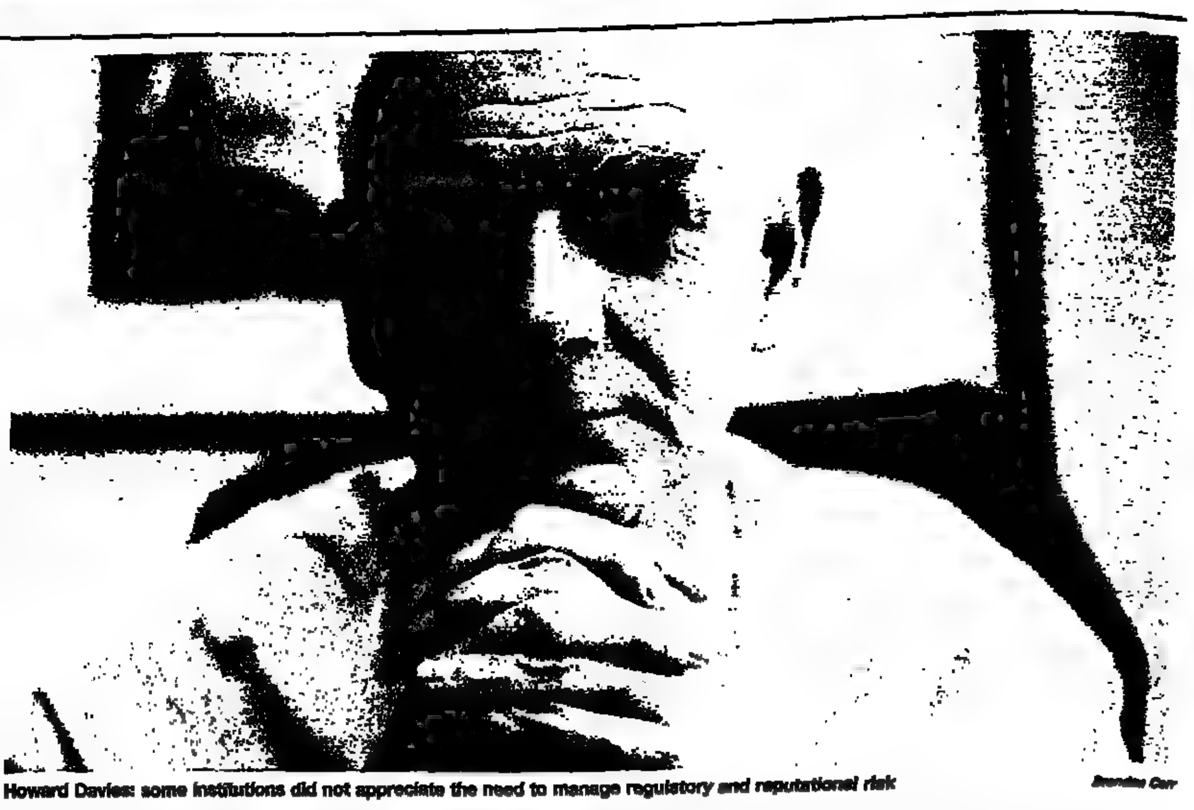
Mr Langton disagrees. In reference to the Isma standard agreement for repo transactions, he says: "In the first instance, anyone who uses the agreement is able to add annexes so long as they acknowledge that in writing when making an agreement. In the second instance, we revise the agreements every year. It would be a problem if we didn't do that, and we recognise the fact. The point is that our agreements are enforceable in the event of default."

Much of custody is concerned with what may be inelegantly characterised as "who owns what in which place at what time?", a definition which is critical to insolvency situations. On a cross-border basis there is some concern over the differences in national regulatory regimes, and the choice of law issues raised. Barings highlighted the cross-border problem, and the risk of regulatory arbitrage, while a recent court judgment in Belgium highlighted the choice of law risk.

The choice of law in many standard industry agreements is the common law of either New York State or England, yet many cross-border transactions are conducted via Cedel Bank and Euroclear, based in the civil law jurisdictions of Luxembourg and Brussels respectively.

While courts will respect the two countries counterparties' choice of law, there may be a problem in insolvency cases where courts look at the bankruptcy jurisdiction, not the agreements. Unlike Luxembourg, in such cases the Belgian courts deem securities to be held in Belgium and subject to Belgian law, a legislative issue that Euroclear is currently attempting to change.

As national regulators develop their domestic laws to meet the rigours of global trading and custody, they need to bear in mind that they are part of system that is not always in harmony. Mr Bettelheim warns: "The system does break down. It doesn't break down every day, but when it does it is very costly."



Howard Davies: some institutions did not appreciate the need to manage regulatory and reputational risk

Brendan Carr

Global custody assets*

Rank	Bank	Total $bn	% of total custody assets
1	Chase Manhattan Bank	1,288	31.8
2	Citibank	699	47.2
3	Deutsche Bank	627	53.2
4	Bank of New York	627	19.0
5	State Street Bank & Trust	489	18.2
6	Bankers Trust Co	422	21.1
7	Paribas	270	57.5
8	Morgan Stanley Global Custody	248	64.6
9	ABN Amro Bank	234	59.0
10	Bank of Tokyo-Mitsubishi	229	99.2
11	Brown Brothers Harriman	225	68.0
12	Royal Trust Corp of Canada	146	53.2
13	Northern Trust Co	136	19.5
14	Midland Securities Services	127	25.1
15	RBS Trust Bank	123	27.6
16	Sumitomo Trust & Banking Co	119	45.1
17	Industrial Bank of Japan	108	99.5
18	Mellon Trust	106	14.0
19	Société Générale	100	41.7
20	Fuji Bank	98	99.6
21	Lloyds Bank Securities Services	65	28.0
22	CIBC Mellon Global Securities Services	50	38.5
23	Kredietbank Luxembourgeoise	50	39.9
24	Bank of Bermuda	50	99.2
25	Skandinaviska Enskilda Banken	20	13.1

*As at March 31, 1997
Source: Institutional Investor

Small tops the poll

A relatively small privately-owned Geneva-based bank, Pictet, has been voted the top global custody provider by clients for the fourth year running.

In a survey of predominantly European-based investment managers, pension funds and insurance companies conducted by R & M Consultants, a market research firm, RBS Trust Bank comes a close second.

RBS Trust Bank enters the survey for the first time. It was formed to take on the custody business of S.G. Warburg and Royal Bank of Scotland.

"The super large custodians, such as Chase Manhattan, State Street and Bank of New York, performed well but cannot quite get the edge over their smaller rivals," says Richard Housflesh, managing director of R & M Consultants. "A top level, personal service is uppermost in what clients require from their custodian."

The survey is the fifth undertaken by R & M Consultants. More than 600 clients were approached and 300 questionnaires were returned, giving 4,800 separate scores. The questionnaire used 16 different categories to assess the service provided. Respondents were asked to rank their provider on a scale of one to seven in each category. The total scores for each custodian in all categories were then averaged to arrive at the results.

The table shows that Chicago-based Northern Trust was the most improved custodian, jumping from 10th place in 1997 to third place this year. Its score improved by 0.95 to 5.18.

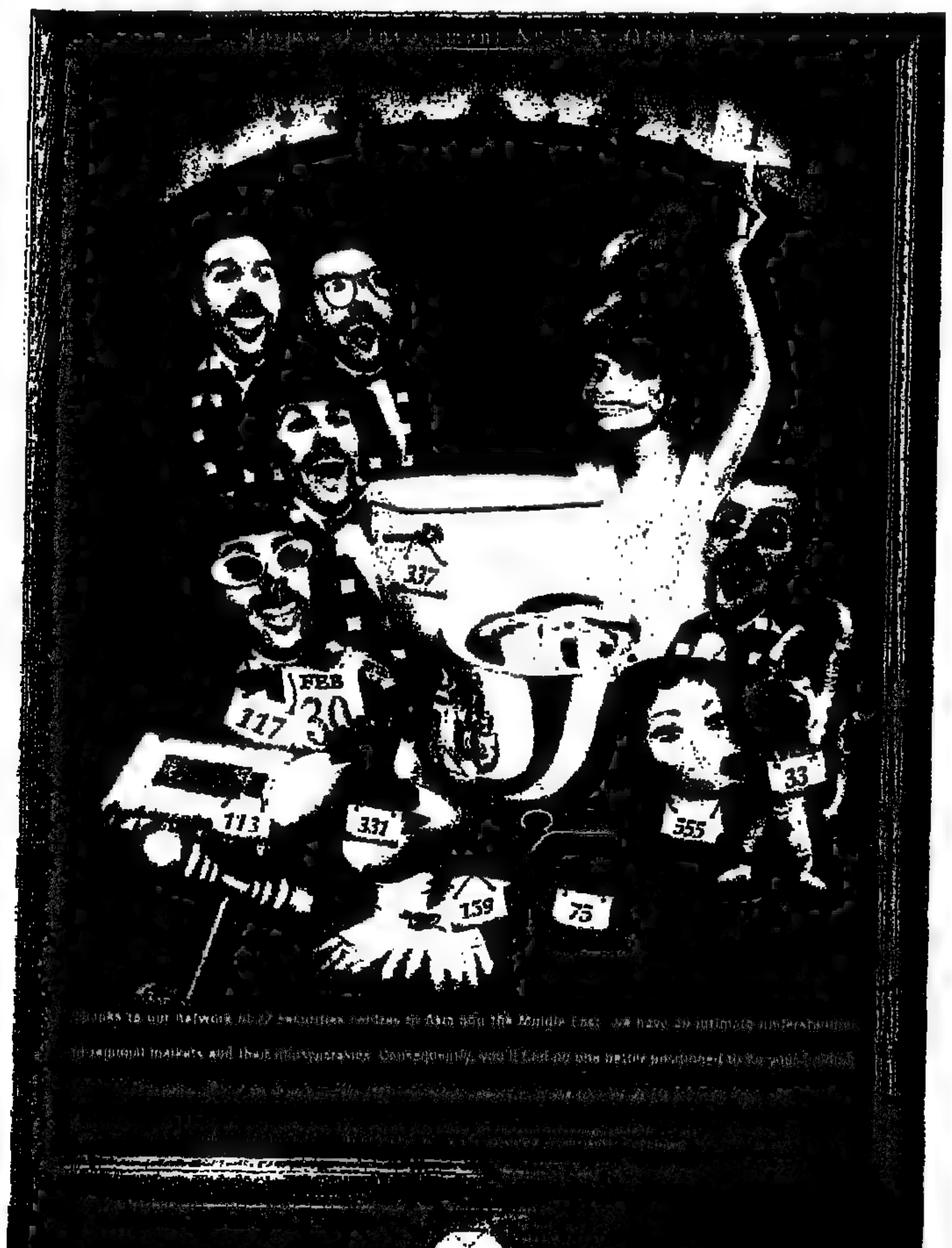
The survey was conducted before Chase acquired the business of Morgan Stanley Trust in May.

Roy Terry

Global custody: satisfaction survey

Rank	Bank (1997 position)	Overall score	Year on year change
1	Pictet (1)	5.74	0.16
2	RBS Trust Bank (0)	5.53	-
3	Northern Trust (10)	5.18	0.95
4	State Street (4)	4.95	0.50
5	Chase Manhattan (2)	4.92	0.16
6	Midland Bank (5)	4.77	0.36
7	Citibank (9)	4.82	0.49
8	Bankers Trust (6)	4.60	0.21
9	Lloyds Bank (3)	4.51	-0.15
10	Bank of New York (7)	4.41	0.12
11	Royal Bank of Scotland (12)	4.32	0.67
12	Mellon Trust (8)	4.26	-0.03
13	MSTC (11 as Barclays)	4.24	0.25

Source: R & M Consultants



RECRUITMENT

RICHARD DONKIN

Information overload

Technology at work has become as snarled and congested as our motorways

Sooner or later I will have to write about knowledge management. Everyone else does. I have one draft report and one unpublished manuscript from people who seem to know what they're talking about but they must wait a while because I'm stuck. Not just stuck but confused and frustrated almost to the point of paralysis. The problem is technology. I used to think it was a good thing but now I'm not so sure.

It seems a heresy to raise such doubts. But are we progressing or are we regressing? Jeremy Rifkin in the *End of Work* predicted an almost workless world. Like the paperless office, it hasn't happened.

Information technology, in particular, has created jobs. Most big companies have dozens of employees, whether on staff or contracted, working on web sites and intranets that did not exist five or six years ago. Computer companies in Silicon Valley are falling over themselves to recruit people, so much so that a personnel manager at Sun Microsystems was moved to remark recently: "If they can fog a mirror we'll take 'em."

But are all these new industries improving our lives? Take the technology that gives us new materials. It can build tennis racquets that enable Wimbledon finalists to serve at 130mph, thus destroying the skilful interplay that beguiled tennis watchers in the days of wooden racquets.

It can build golf clubs that hit a ball further and more accurately than before, making matchplayers out of journeymen. It can build a power boat that can circumnavigate the world, emasculating the spirit of adventure.

Technology has provided satellites that can transmit junk television to our homes. Junk mail has been with us for some time but now we must contend with junk e-mails while voice mail enables us to retain and re-play junk telephone calls.

We embraced the new technologies readily and they really seemed to work at the beginning. The big problems have emerged with second- and third-generation computer technologies. With nothing fundamentally new to invent, the software producers have "improved" existing systems. Thus, basic functions have been swamped by over sophistication.

Could it be possible that software specialists have stretched their skills too far in the same way that the 16th century school of Mannerist painters believed they could improve upon the Renaissance masters such as Raphael, Leonardo da Vinci and Michelangelo who had perfected the human form in art? Mannerist paintings were characterised by elongated limbs in exaggerated poses – a classic case of art for art's sake.

Are we now struggling in the workplace with examples of technology for technology's sake? As far as I know, no one has improved on the hammer for knocking a nail into wood. But I get the impression that if you gave a hammer to a systems specialist he would probably remodel it in carbon fibre with a titanium tip and hollowed out handle that takes cartridges, punching out nails automatically in different sizes using a complex hydraulic system. It could be packaged and sold as "Hammer 98".

"There is joy in work," Henry Ford once said. Would he say it today? Have we been blinded by new technology, blinded by a sophistication that is destroying the joy in work? My job is fairly basic. I ask questions, write down the responses and attempt to arrange the words in a way that people might find useful or stimulating.

The technology is supposedly there to help yet it is becoming as snarled and congested as the motorways that have removed the joy from driving. We marvel at the information explosion yet the fall-out is furring the arteries of the very systems that made it possible.

Information technology is beginning to infuse itself into our very beings. If Descartes were alive today he would probably have been attracted to the idea that "I surf therefore I am". What sold itself as something to transform our lives is in danger of developing an uglier mantel, a computer-led invasion of the body snatchers.

No wonder that companies and academics are grappling with the concept of knowledge management. The challenge is not simply to harness information but to filter it.

Technology has opened the floodgates to junk information, a pollutant as debilitating to the neurons as a pneumatic drill can be to the ears. It has become the most popular ammunition in the sell and the sell is fiercer than it ever was. It is not enough to pulp the odd forest for reports, leaflets and glossy brochures. Those are used in the initial barrage. If we survive that with our judgment intact the chances are we will be picked off by the well-aimed fax or e-mail, sometimes both, rammed home by the telephone call "to check you received it".

Almost everyone I speak to is familiar with these devices. Many complain they are no longer the masters of their own agenda but slaves to agendas defined by others. This is the way I am beginning to feel. It explains why I prefer to write at home, often outside office hours on a monochrome lap top using outdated but perfectly serviceable software. It's not technophobia. Just call me a techno-sceptic.

Tokyo toppled

Osaka and Kobe have overtaken Tokyo as the most expensive cities in which to live, according to the latest index drawn up by P-E Inbucon's Worldwide Living Costs survey, which looks at about 120 countries.

The number of cities indexed higher than the London base of 100 has dropped markedly because of the relative strength of sterling.

The index, which is drawn from seven international indices, is based on the needs of a married couple with two schoolchildren, excluding house rents and tax levels.

The exchange rate is that on April 28. To update the index divide the exchange rate by the new rate and multiply the result by the table's index figures.

The full list of cities with four separate bases – London, Frankfurt, Paris and New York – costs £200. The full Worldwide Living Costs report is priced at £650.

PE Inbucon, 34 Paradise Road, Richmond-upon-Thames, Surrey, TW9 1SE, tel +44 181 334 5737

International living costs index: selected cities

Country	City	Living cost index	£1* =	RPI %
Japan	Osaka-Kobe	134.59	229.112	1.9
Japan	Tokyo	125.70	229.112	1.9
Hong Kong	Victoria	117.58	12.993	4.7
Norway	Oslo	108.55	12.455	2.9
Gabon	Libreville	103.40	1,006.361	1.7
Uruguay	Montevideo	101.71	17.231	15.7
UK	London	100.00	1	3.5
Israel	Tel Aviv	99.36	6.291	5.8
Denmark	Copenhagen	99.20	11.44	2.1
Sweden	Stockholm	98.58	12.856	1.0
Russia	Moscow	97.96	10.253	9.5
Brazil	Rio de Janeiro	[illegible]	[illegible]	[illegible]
Dominican Rep.	Santo Domingo	95.48	24.795	9.9
China	Beijing	94.93	13.87	-0.1
Kazakhstan	Almaty	94.69	128.097	10.8
Finland	Helsinki	94.56	[illegible]	[illegible]
Brazil	São Paulo	94.45	1.912	3.2
Lebanon	Beirut	[illegible]	2,560.62	4.8
Taiwan	Taipei	93.46	55.24	2.6
Singapore	Singapore	92.46	2.695	8.9
Jamaica	Kingston	91.86	60.144	8.7
France	Paris	[illegible]	10.054	0.8
Argentina	Buenos Aires	90.99	1.675	0.8
Ukraine	Kiev	[illegible]	3.419	22.1
Switzerland	Zurich	90.76	[illegible]	[illegible]
Austria	Vienna	90.49	21.103	1.0
UAE	Dubai	90.47	1,943.374	8.4
Peru	Lima	89.35	4.725	7.3
Saudi Arabia	Riyadh	89.30	6.293	-0.7
Netherlands	The Hague	89.23	[illegible]	2.3
US	Washington	88.69	1.675	1.4
Latvia	Riga	87.95	0.987	7.0
Jordan	Amman	87.88	1.19	4.7
New Zealand	Wellington	87.10	2.993	1.1
Chile	Santiago	87.03	758	5.3
Germany	Bonn	87.00	2.999	1.1
Ivory Coast	Abidjan	[illegible]	1,005.361	5.2
Spain	Barcelona	86.82	254.908	1.8
Germany	Frankfurt	86.75	2.999	1.1
Australia	Canberra	86.26	2.592	-0.2
US	New York	86.17	1.675	1.4
Kenya	Nairobi	85.82	99.765	7.7
Kuwait	Kuwait	85.78	0.511	[illegible]
Belgium	Brussels	85.56	61.903	1.0
Nigeria	Lagos	85.56	142.621	9.8
Italy	Rome	85.47	2,957.331	1.7
Lithuania	Vilnius	85.14	6.702	8.0
Ireland	Dublin	84.93	1.19	1.8
China	Shanghai	84.38	13.87	-0.1
Ethiopia	Addis Ababa	83.73	11.444	-3.3
Syria	Damascus	83.73	67.813	0.5
Italy	Milan	83.22	2,957.331	1.7
Guatemala	Guatemala City	82.81	10.544	8.9
Morocco	Casablanca	82.61	16.278	3.2
Germany	Berlin	82.40	2.999	1.1
Sri Lanka	Colombo	81.74	105.068	8.5
Korea (South)	Seoul	81.32	2,305.919	9.8
Croatia	Zagreb	80.92	10.725	4.2
Morocco	Rabat	80.82	16.278	3.2
Netherlands	Amsterdam	80.52	3.378	2.3
Luxembourg	Luxembourg	79.84	61.903	1.4
Nicaragua	Managua	79.52	17.303	7.7
Ghana	Accra	78.69	3,805.307	27.7
Venezuela	Caracas	78.29	892.947	38.3
Slovenia	Ljubljana	78.19	279.331	9.4
Canada	Toronto	78.01	2.396	1.0
El Salvador	San Salvador	77.83	14.657	1.9
Paraguay	Asuncion	77.55	4,578.03	5.8
Tunisia	Tunis	77.38	1.941	3.8
Canada	Montreal	77.15	2.396	1.0
Greece	Athens	76.93	518.78	4.3
Spain	Madrid	76.80	[illegible]	[illegible]
Australia	Sydney	76.50	2.592	-0.2
Bahrain	Manama	75.19	0.632	2.7
Portugal	Lisbon	75.08	307.407	2.1
Cyprus	Nicosia	74.16	0.878	3.7
Bangladesh	Dacca	73.62	77.567	4.9
Algeria	Algiers	73.05	97.954	5.1
India	New Delhi	[illegible]	68.496	9.1
Egypt	Cairo	71.67	5.711	4.1
Ecuador	Quito	71.08	8,267.717	30.7
Philippines	Manila	70.86	63.745	7.3
Bolivia	La Paz	70.81	9.181	6.7
Poland	Warsaw	70.72	5.864	14.2
Mexico	Mexico City	70.60	14.155	[illegible]
Pakistan	Islamabad	69.88	74.119	8.9
Estonia	Tallinn	68.58	23.997	12.4
Honduras	Tegucigalpa	67.72	22.290	13.7
Costa Rica	San Jose	67.01	420.707	11.4
Panama	Panama City	66.73	1.675	0.5
Colombia	Bogota	66.72	2,273.413	18.2
Hungary	Budapest	66.42	351.525	17.1
Indonesia	Jakarta	66.27	13,225.048	39.1
Malaysia	Kuala Lumpur	66.02	6.265	4.4
Czech Rep.	Prague	64.90	55.904	13.0
South Africa	Johannesburg	64.36	8.498	8.4
India	Bombay	64.15	68.495	9.1
Thailand	Bangkok	63.63	65.595	9.5
Zimbabwe	Harare	55.83	28.82	18.9

* Exchange rate at April 28 1998

Source: P-E Inbucon Ltd

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I am interested in people with an excellent track record in electronic trading (minimum 2-3 years). A floor-based team who wants to make an early transition could be considered but they must be prepared to put in a part of the equity.

Making Market in Options in Asia Pacific region

There exists an opportunity for a top floor market maker, experienced in managing a team, who would want to relocate to Asia. Must be capable of an early conversion to electronic trading. Experience of trading back months is essential. This position can easily evolve into managing market operations across the whole region.

Please send a resume, or your telephone contact number to
Mike Stevens on fax 0049 69 91 39 50 31

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based in Germany, HR Generalist, 35 y., is looking for a new challenge! 1 year experience in Line-HR-Work (International Financial Services), 5 years exp. in Change-Management (alignment based) in American Consulting Company, Studies in Industrial-Psychology and Bus. Admin.

Please reply to Box A6194, Financial Times, One Southwark Bridge, London SE1 9HL

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appears in the UK edition every Wednesday & Thursday and in the International edition every Friday.

For information on advertising in this section please call Keeley Pope on 0171 873 4006

Financial Times

After the departure of Jean-Charles de Castelbajac, the University of Applied Arts in Vienna/Faculty of Design, invites applications as *g*

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Master Class of Fashion Design

for the duration of two academic years. Interested parties with high qualifications and international significance in the area of fashion design should forward their applications with relevant documents to:

The Personnel Department, University of Applied Arts, Vienna,
Oskar Kokoschka-Platz 2, A-1010 Vienna.
by August 5,1998.

We are an equal opportunities employer.
Costs for travel and stay due to the application procedures will not be refunded.

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Corporate Finance

Outstanding opportunities for talented young professionals to join a leading player in international corporate finance

London **£ Excellent**

Our client is one of the world's leading, fully integrated investment banks. A global franchise, leading securities distribution and a pre-eminent research capability underlie their ability to handle the largest and most complex transactions.

A sector-focused approach and global presence create the in-depth understanding required to anticipate the market, identify opportunities and devise appropriate and effective strategic solutions. The bank has thus developed an outstanding record in leading landmark transactions whether they are acquisitions, mergers or capital raisings.

Due to its continued growth and success, the corporate finance department is looking to hire outstanding young professionals. As a member of an advisory team, you can expect to be involved in providing strategic financial advice to clients, as well as participating in the identification and execution of corporate finance transactions. This will include financial analysis, company valuations and detailed modelling of businesses in addition to preparing and delivering client presentations.

The successful candidates will be graduates aged 25-30, excellent academic track records and preferably have an ACA, legal qualification or MBA. They will demonstrate:

- Corporate advisory or related experience gained within an investment bank, major accountancy, legal practice, management consultancy or PLC.
- Strong numerical, analytical and presentation skills combined with an understanding of valuation techniques and spreadsheet modelling.
- Excellent written and verbal communication skills.

These positions offer superb opportunities for highly motivated professionals to develop their career with a market leader.

If you are interested in taking up the challenge, telephone Annabel Haywood or Arabella Pack on 0171 269 1862 for an initial discussion.

Alternatively, forward a copy of your curriculum vitae to Michael Page City, 50 Cannon Street, London EC4N 6JJ, fax 0171 329 2986, please quote reference 435413 or e-mail: annabelhaywood@michaelpage.com

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VP PRODUCT CONTROLLERS

LEADING GLOBAL INVESTMENT BANK

HONG KONG/TOKYO/SINGAPORE **SUBSTANTIAL PACKAGE**

Our client is a major force in global investment banking, pre-eminent in the creation, trading and distribution of securities and derivative products and a leader in risk management. Their success has been built on financial acumen and capital strength and is re-inforced with a strong focus on client relationships.

As a result of continued growth in their Asian business, a need has arisen for senior product controllers to join their existing teams based in Hong Kong, Tokyo and Singapore with the following profile:

Product controllers with good knowledge of both Fixed Income and Equity products (including complex structured products) who have the potential to take a senior role and strengthen the product control function in the three locations.

All positions are required to work in close partnership with the traders, sales people and the operations teams, advising in pricing strategies and profitability of complex financial instruments.

Ideally, candidates should be qualified accountants with good PC skills including Excel Macros, with strong quantitative backgrounds and be stimulated by the intellectual challenge of working with complex products.

Confidence, assertiveness and the ability to rapidly establish credibility with the trading floor are key to success in these roles.

Excellent communication and interpersonal skills and attention to detail are pre-requisites.

These excellent career opportunities attract competitive remuneration packages including a merit based bonus scheme and excellent benefits.

Interested parties in the first instance should call James Gundry at Robert Walters Associates, Suit 2119, 21st Floor, Jardine House, One Connaught Place, Central Hong Kong. Tel: (852) 2525 7808. Fax: (852) 2525 7768.
E-mail: james.gundry@robertwalters.com
Web: http://www.robertwalters.com
You may also apply via http://taps.com/Robert_Walters quoting reference RWHK14.

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EMERGING MARKETS TRADERS

Cargill is a diversified multinational company. One of the world's largest privately-held companies, we employ approximately 79,000 people in 72 countries, in 1,000 different locations. Cargill has offices throughout North and South America, Western and Central Europe, the Former Soviet Union, and Africa. Our European headquarters are located in Cobham, Surrey, U.K.

CARGILL

The Financial Markets Group (FMG) focuses on proprietary trading. With more than 20 offices worldwide, we have built a reputation for innovation, success and profitability. FMG is engaged in various proprietary financial trading and investment activities worldwide.

We have opportunities for ambitious traders capable of longer term progression to management. You should have a university degree and more than two years work experience in emerging markets.

Entrepreneurial flair, relevant language skills and flexibility are necessary qualities. Geographical mobility is expected.

OPPORTUNITIES EXIST, INITIALLY IN THE UK, WITH EVENTUAL RELOCATION TO:
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FOR THE FOLLOWING ACTIVITIES:
Derivatives, Equities, Fixed Income, Foreign Exchange, Money Markets, Real Estate, Structured Finance and Trade Finance.

We are also seeking Financial Controllers for the above locations.

Please send your CV to: Farn Williams, Vineyard House, 13-15 Vine Hill, London. EC1R 5FW Fax: (44) 171 837 0001, quoting Ref: 0987

FARN WILLIAMS · TREASURY & EXECUTIVE SEARCH · Web site http://www.farnwilliams.co.uk Email: farnwilliams@dial.pipex.com

Program Manager for Information Products and Services

The Multilateral Investment Guarantee Agency (MIGA) is a member of the World Bank Group (WBG), created to enhance the flow of foreign direct investment by providing *investment insurance* against non-commercial risks and *technical assistance* to developing countries. Technical assistance is provided through MIGA's Investment Marketing Services Department (IMS). IMS seeks a Program Manager for Information Products and Services to manage several information-technology based programs to facilitate communications and data sharing among international investors and investment promotion organizations.

Responsibilities: Directing development and delivery of information tools to support IMS' investment promotion capacity-building and information dissemination mandates, and for the IMS Knowledge Management system. In consultation with MIGA's CIO, participate in WBG committees, boards, etc., relating to knowledge management. Other specific duties include: lead a team of five specialists; manage marketing, content mobilization, upgrading, and customer support for IMS' web facilities; develop and test new products; and, contribute to mobilizing external funding for the program.

Qualifications: Minimum of a Masters degree in economics, business, information management, or related field. At least ten years professional experience in an international role, including at least 3 years senior experience in the field of information and/or knowledge management. Conversant with state-of-the-art tools for training and information dissemination, including Internet, interactive CD-ROM, and video. Strong leadership skills and the ability to work as part of a team. Mastery of English required.

MIGA offers an internationally competitive compensation package. Qualified candidates should send cover letter and detailed CV no later than July 20, 1998, to MIGA Department of Central Administration, 1818 H Street NW, Room U12-025, Washington, D.C. 20433. Fax: 202/522-2660. Only shortlisted candidates will be contacted.

Human Resources Managers

Create the global consultancy resource of the future

Ernst & Young Management Consultancy is the fastest growing major consulting firm. We provide a world-leading set of methodologies to businesses implementing multi-faceted change. Our blue-chip client base, coupled with our global coverage, makes us the ideal place for people looking to develop their careers. Such a business needs globally experienced consultancy practitioners with a consistent skill set that allows them to deliver a seamless international service and move with ease from country to country.

As a result, our European HR team is currently implementing a major programme to align HR processes including recruitment standards, career routes, skills development programmes, resource deployment and mobility programmes. Three new permanent positions have been created through this ongoing initiative.

*The first is for a **Resourcing Manager** to manage our global and European resource deployment programme. The second is for an **International Mobility Manager** to create and implement strategic proactive programmes to manage the exchange of resources between countries. Finally, we need a **European Manager, Learning and Development** to co-ordinate a wide range of training activities including induction programmes, computer-based learning, curriculum framework and co-ordination of activities with national training managers.*

All roles demand at least 10 years' professional experience, at least part of which should have been spent in a large professional services organisation. You'll need relevant HR experience in one of the above areas, coupled with international business exposure. A mature and assertive individual, you'll have the ability to present a coherent business case, and to interact effectively at all levels and across cultural boundaries. Fluency in a major European language should be supported by excellent spoken and written English. Highly competent at planning and organising, you'll also have sound strategic and business judgement.

Based in the European major city of your choice, you will be a key member of a Europe-wide HR team reporting to a Paris-based manager. If you want to develop your career within an organisation that is setting the standards for HR across Europe, please send your resumé to our advising consultant, Jeni Giffen, quoting reference 6580, at Stafford Long & Partners, 30-32 Whitfield Street, London W1P 6HR, England. Fax: +44 (0)171 304 4433. Email: jeni.giffen@staffordlong.co.uk All replies will be treated in strict confidence.

For more information about Ernst & Young: www.eyi.com

ERNST & YOUNG

The United Kingdom firm of Ernst & Young is a member of Ernst & Young International.

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Keeley Pope on 0171 873 4006

Karl loynton on 0171 873 3694

Ben Bonney-James on 0171 873 4015

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Effie White on 0171 873 3456

Financial Times

Key new roles in member liaison

£30,000 - £40,000 + benefits

LIFFE, Europe's premier futures and options exchange, is currently engaged in an active change programme designed to consolidate its position well into the new millennium. As part of this strategy, we are introducing the new role of Account Executive, which will act as the focal point of contact between LIFFE member firms and the Exchange.

Each Account Executive will have responsibility for a number of member firms, including key clients. The emphasis will be on developing positive, reciprocal business relationships which will not only provide an effective channel for the communication of new product, service, system and regulatory initiatives, but also deliver valuable feedback on member firms' ongoing requirements and expectations. A key part of the role will be to maintain the highest levels of client satisfaction - calling for liaison with other LIFFE functions in addition to *ad hoc* problem-solving.

We are looking for people who combine at least three years' experience in financial markets (preferably derivatives) with a strong customer orientation and excellent communication skills. You will also need to demonstrate a resilient, committed approach, effective powers of negotiation, and the ability to interact with people at every level.

These high-profile positions will make an important contribution to the future of the Exchange, and offer excellent opportunities for further career development. To apply, please write enclosing your full cv and a note of current remuneration to Andrew Deveney, Personnel Department, LIFFE, Cannon Bridge, London EC4R 3XX.

LIFFE

The London International Financial Futures and Options Exchange

www.liffe.com

JardineFleming

CORPORATE FINANCE ANALYSTS

HONG KONG BASED, ASIAN FOCUS — **EXCELLENT OPPORTUNITY**

Jardine Fleming, a joint venture between international trading firm Jardine Matheson and British investment house Robert Fleming, is one of the leading investment houses in the Asia-Pacific region, providing its clients with a unique combination of financial services distributed through an unrivalled network of offices.

The corporate finance department employs over 170 professionals in 15 countries throughout the region. Voted "Best M&A House in Asia for 1997" and winner of "Best Convertible Bond Offering for 1997" by Finance Asia Magazine, the department has an unmatched reputation for corporate finance and capital markets services in Asia.

As part of its drive to further strengthen the department, the company wishes to recruit several graduate analysts of the highest calibre.

The successful candidates will:

- have graduated from a top university in the last three years with an upper second or first class degree
- be fluent in spoken and written English. Asian language skills will be an advantage
- be numerate, preferably with excellent computer skills
- possess the necessary commitment and drive to succeed in a dynamic, team-based environment
- demonstrate an informed interest regarding recent major developments within the Asia-Pacific corporate finance market

Successful candidates will attend a formal training programme in September/October of 1998.

Interested parties should contact **Lisa Walsh at Robert Walters Associates, 10 Bedford Street, London WC2E 9HE. Tel: + 44 171 379 3333, Fax: + 44 171 915 8714, or James Muston at Robert Walters Associates, 21st Floor, Jardine House, One Connaught Place, Central, Hong Kong. Tel: + 852 2525 7808. Fax: + 852 2525 7768.**

You may also apply via http://taps.com/Robert_Walters quoting reference RW125.

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Manager – Derivatives Operations

Debt and Capital Markets

City — **£ Excellent**

Our client is a major Investment Bank experiencing dramatic growth in the fixed income and associated derivatives markets. In order to further secure a management structure capable of meeting the challenges associated with growth and change, a key requirement has arisen for a senior derivatives operations professional. Reporting to the Global Head of Fixed Income and Derivatives, the appointee will assume full responsibility for trade processing, trader support, settlements, confirmations and management information.

Key aspects of this role will be to:

- Maximise the efficiency of derivative operations.
- Lead operational aspects of business development including project management.
- Enhance existing systems and procedures to meet internal and *external business demands.*

A strong technical background in interest rate derivatives is essential, coupled with excellent man-management and change management skills which will have been gained within a high quality investment banking environment.

This role represents a unique opportunity for an ambitious individual to join a highly progressive organisation where excellent career prospects exist due to considerable growth and restructuring across all product areas.

For further information, please contact Sharon Swift at Michael Page *City, 50 Cannon Street, London EC4N 6JJ quoting reference 434598.* Tel 0171 269 1820 or fax 0171 329 2974, e-mail: sharonswift@michaelpage.com

All replies will be handled in the strictest of confidence.

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Prudential-Bache

International

Dubai, United Arab Emirates

PRIVATE CLIENT STOCKBROKERS/PRIVATE BANKERS

Prudential-Bache International is expanding into the Middle East by opening an office in Dubai. Marketed products and services are designed to help wealthy international investors preserve and increase their wealth. Products include, but are not limited to, multi-currency deposits and loans; state-of-the-art global asset management products; and individual equities and fixed income instruments. Private Bank accounts, Trust services and centralised asset accounts are also available.

The firm is looking to hire several candidates. One will be selected as manager to lead the team. Candidates will be required to demonstrate an established track record of attracting and retaining high net-worth individuals as customers. The firm is seeking professionals already servicing a well diversified private client asset base. Fluency in English is necessary. *Ability to speak Arabic is desirable but not essential.* The compensation package we offer is unlikely to be a limiting factor for the right candidates.

Please send your curriculum vitae in strictest confidence to:

Martin Leclerc
Prudential-Bache Securities (UK) Inc.
1-3 Strand London, WC2N 5HE, UK
FAX (0044) 171-414-6941

Prudential Securities is an Equal Opportunity/Affirmative Action Employer and is committed to diversity in our work force. Member SIPC.
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Structured Trade Finance

London — **£ Excellent Package**

Our client is an established international bank with a strong track record for advising and arranging finance across a broad range of specialist banking products.

It provides corporate, financial and institutional customers with extensive treasury, banking, commodity, structured trade finance, *emerging markets, corporate finance, asset management,* investment and international services. The group has total assets exceeding US$25 billion and employs more than 30,000 people worldwide.

The continued expansion and success of the Bank has resulted in an exceptional opportunity for a senior Structured Trade Finance Credit Manager in London.

The Role

- Responsible for analysing and managing credit risk for the Banking Division covering primarily Structured Trade Finance and Forfaiting.
- To actively assist with the policy, strategic direction and control of the asset and credit risk portfolio.
- Close liaison both internally with Relationship Managers and externally with clients regarding structuring of transactions.
- A variety of travel opportunities to the Far East, Latin America, Eastern Europe and Africa.

The Candidate

- Minimum of 4-5 years relevant experience gained from a recognised financial institution.
- Strong understanding of Structured Trade Finance products and knowledge of market practices related to credit limits/exposure.
- Knowledge of country risk, commodity markets and an economics background would be advantageous.
- Preferably educated to degree level, with strong written and communication skills.

This position represents a superb opportunity to work for a leading provider of Trade Finance facilities, with exciting prospects for the future. It is important that candidates can combine technical abilities with an inclination to take a hands-on approach to the job. An attractive salary and package will be awarded to the successful applicant, reflecting the experience and capabilities for this challenging role.

Interested candidates should contact Mark Pettman on 0171 269 1868. *Alternatively write to him, enclosing a full curriculum* vitae at Michael Page City, 50 Cannon Street, London EC4N 6JJ. Fax 0171 329 2986. e-mail: markpettman@michaelpage.com Please quote reference 411104.

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Merrill Lynch — Head of Risk Management

DUBLIN — £ EXCELLENT

With assets exceeding £180 billion, 56,000 employees and an active presence in over 40 countries, Merrill Lynch is a market leader in global investment banking. Merrill Lynch Capital Markets Bank Limited was established in Dublin, Ireland 1995 and has branches in Frankfurt, Milan, Tokyo, Johannesburg and Malaysia. Recently, Merrill Lynch have expanded operations in Dublin, creating an outstanding opportunity to work in Risk Management.

The Role:

- Establish a risk management function at the bank head office in Dublin
- Monitor traders daily risk activities and positions providing independent identification, measurement and monitoring of market risk across a range of products including debt and equity derivatives.
- Further develop market risk measurement methodologies and systems consistent with the banks expanding operations.
- *Liaise with regulators, senior management of the bank, Merrill Lynch* global risk management and credit management.

The Requirements:

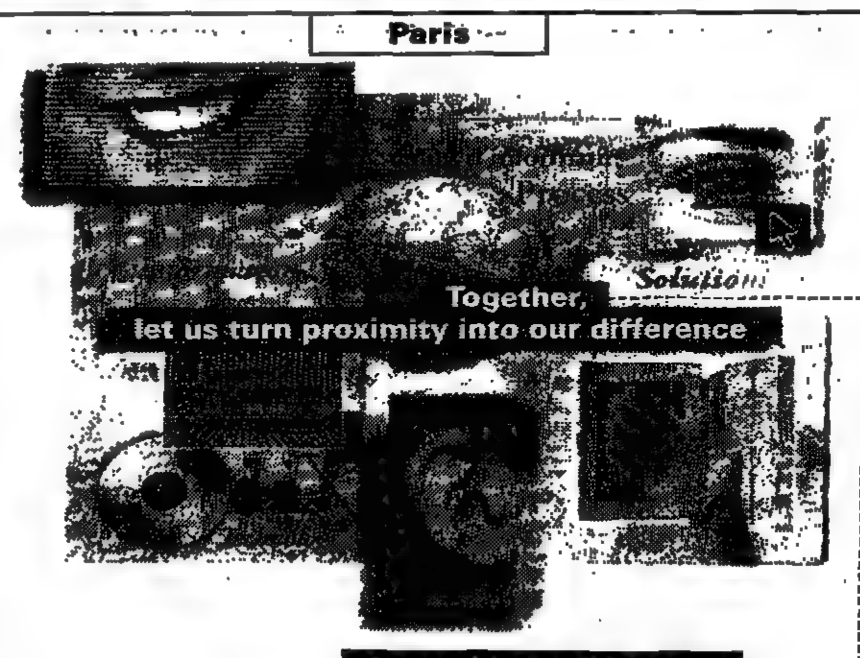
- The candidate will be an experienced risk management professional with at least 5 years experience working in the risk management department of a capital markets bank or financial institution.
- Experience in debt derivatives and equity derivative instruments is essential.
- A background in trading and valuing derivative instruments would be desirable, as would knowledge of VAR models.
- A quantitative or financial degree would also be a pre-requisite.

This is a first class opportunity to contribute to the continued success of this dynamic and rapidly expanding business.

Interested applicants should contact: Richard Gander at Morgan McKinley, Wellington House, 125 The Strand, London WC2R 0AP. Telephone: 0171 557 7222 Fax: 0171 836 3456 email: rgander@morgan-mckinley.co.uk

Morgan McKinley

Paris



Consolidation Manager

We are looking for a highly motivated individual who wishes to become part of our extremely fast growing commercial accounting and financial services company in France. The firm has a large number of very prestigious French and International blue chip audit clients. In 1996, we created a consolidation consulting department with a remit to build a business adding value through reengineering the consolidation process for both audit and non-audit clients. The department is growing quickly with its size set to double in 1998. We are looking to recruit a manager with significant « hands-on » consolidation experience as part of the management team, working directly with the very experienced department head.

Your role

- **Co-ordination** of projects to reengineer consolidation procedures, both in France and abroad, requiring both in-depth system and technical knowledge, and management skills.
- **Commercial development** : as part of the management team, you will be expected to develop and build relationships, both within and outside the firm to contribute to the department's ambitious growth plans.
- **Significant exposure** to top client management of major European multi-national groups.
- **Best practices** : we are constantly seeking to benchmark our clients and our own performances. You will need to seek out best practice both within Deloitte Touche Tohmatsu world-wide and beyond, and to implement them to help our clients improve their performances.

Your qualifications

« **Hands on** » **experience** of managing consolidations within a large group, preferably in the industrial sector.
- **Previous exposure** to projects to improve the efficiency of consolidation procedures (deadlines, reliability...)
- **Excellent academic background** : *advanced qualification in accounting* and financial management essential.
- **Strong working knowledge** of both written and spoken French.
- **International outlook** with demonstrated experience of « state of the art » management systems.
- *Experience of international accounting standards (IASC and/or US).*

Your opportunity

We provide highly competitive salary and benefits packages. Career prospects within our dynamic and service focused firm are excellent. Deloitte Touche Tohmatsu France is a member of Deloitte Touche Tohmatsu International. A wide variety of worldwide career opportunities exist for outstanding individuals.

Deloitte Touche Tohmatsu

Applicants should fax their CV's in either English or French to Frédéric Moulin quoting reference FT807 on 33 1 40 88 28 28 or write to him at Deloitte Touche Tohmatsu, 185 avenue Charles-de- Gaulle, 92200 Neuilly-sur-Seine, France. Interviews will be held in Paris in July 1998.

Appointments Advertising

appears in the UK edition every Monday, Wednesday & Thursday
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For further information please call:Karl Loynton on +44 0171 873 3694

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FOX-PITT, KELTON
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Fox-Pitt, Kelton is an integrated investment bank with an international business conducted from offices in London and New York. The firm was founded 25 years ago and has always specialised in the financial services industries.

As a result of increasing levels of business in these sectors, Fox-Pitt Kelton is planning to expand its international distribution network by recruiting a further dedicated European specialist sales person in New York.

Successful candidates for this position are likely to possess the following attributes:

- Experience gained in the European financial markets particularly in investment research or sales.
- Knowledge of, or exposure to the US market in a financial capacity.
- A desire to be permanently based in the United States.
- Proven client/business development skills.

If a career with a highly successful market leading firm appeals to you and you would like to be based in one of the world's most challenging and exciting locations, please contact Colin Campbell-Dunlop, Michael Page City, 50 Cannon Street, London EC4N 6JJ, fax 0171 329 2986, telephone 0171 269 1880, please quote ref 433245. e-mail: colincampbelldunlop@michaelpage.com

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KINGFISHER

Join the retail group with a global future

London based

Kingfisher plc is one of Europe's largest non-food retail groups, with powerful brands that include B&Q, Comet, Darty, Superdrug and Woolworths. Working within highly competitive markets, this £6.4bn group recently achieved operating profit of over £500m. Determined to become increasingly international, Kingfisher has ambitious growth targets which will be achieved through acquisitions and organic growth. These roles, central to this strategy, are ideally suited to European nationals with a good knowledge of English and French.

Strategy Development Manager *(ref: 2007/RT/FT)* **c.£90,000, bonus, share options**

The role
- drive and develop the group's strategic approach in relation to its global electricals business
- work closely with senior management at both head office and across operating companies to identify needs and opportunities
- identify and address key business issues, leading strategy projects from inception to completion.

The person
- outstanding graduate, ideally also with MBA. Able to work on own initiative
- classic strategy/development background gained in leading strategy consultancy currently at Engagement Manager level or within a high-profile multinational
- outstanding analytical and financial skills. Strong presenter. Credible, persuasive and inspiring.

Corporate Finance Manager *(ref. 4007/IJ/FT)* **c.£75,000, bonus, share options**

The role
- work with Executive Management. Provide financial expertise to ensure successful completion of deals
- understand marketplace. Undertake rigorous financial appraisal and due diligence for each project. Prepare strong business cases
- assist in negotiations. Manage professional advisors to ensure delivery of objectives.

The person
- graduate, either with accounting qualification or MBA
- minimum of 2 years' corporate finance experience gained within a big six accounting firm, merchant bank or high-profile multinational
- understands both strategic and operational issues in addition to technical and financial criteria.

To apply, please send a full cv, quoting the relevant reference number, to Ian Jordan, PA Consulting Group, 123 Buckingham Palace Road, London SW1W 9SR, UK. Tel: 00 44 171-730 9000. Fax: 00 44 171-333 5330.

Global Recruitment

PA Consulting Group

Derivatives Sales

opportunities to appeal to (only) flexible, ambitious and highly motivated individuals

Our client, part of a highly rated European institution, has ambitious but realistic plans for expansion and is looking for experienced brokers who can demonstrate a successful track record in business building within a range of Exchange Traded Products.

We are looking for intellectually strong individuals with undoubted technical and interpersonal skills, hungry enough to focus on their own development yet team-oriented enough to suit the culture of the organisation. The company ethos is to be singularly less structured whilst retaining the highest levels of professionalism.

Levels of commitment to success are high and candidates with the right degree of flexibility will share in the rewards of making a significant impact on the industry.

These are rare opportunities and our selection criteria will be stringent.

Candidates who feel they have the necessary attributes should contact **Robin Waddingham on 0171 929 2383.** Alternatively, send your CV to her at **Exchange Consulting Group, 13 St. Swithin's Lane, London EC4N 8AL. Fax 0171-929 2805.** It is our strictly held ethic that no CV is forwarded to the client without the express agreement of the candidate.

EXCHANGE
Consulting Group
SEARCH AND SELECTION

MSP

SPÖRINGER ASSOCIATES GMBH

COAL TRADING
worldwide

International energy group seeks a

MANAGING DIRECTOR

An experienced senior manager is required with a sound knowledge of international coal trading and ideally ocean-going traffic, location Europe.
All applications are treated in the strictest confidence.
Please send your detailed application to:

MSP SPÖRINGER ASSOCIATES GMBH
Burgwedeler Str. 155 B
D-30916 Isernhagen, Germany

Black Sea Trade and Development Bank

BSTDB, Headquarters in Thessaloniki/Greece, established in February 1998, is a regional multinational bank with 1 billion SDR registered capital having participation of eleven Shareholders States: Albania, Armenia, Azerbaijan, Bulgaria, Georgia, Greece, Moldova, Romania, the Russian Federation, Turkey and Ukraine.

An Opportunity for Joining a Team of High Professionals

CHIEF ECONOMIST: 7 years extensive research and analytical experience in international banking, finance and economic development related to IFIs, preferably PhD holder. List of publications is required.
LEGAL ADVISOR: 10 years experience/law practice in a reputable international financial institution or legal organisation covering legal, strategic, institutional issues.
INTERNAL AUDITOR: 7 years experience of which at least three in banking/financial auditing. International audit certification(s) is an advantage.
BUDGETING & CORPORATE PLANNING MANAGER: 5 years international experience in this field.
CREDIT RISK MANAGER/ASST MGR: 5 years of professional experience in credit risk assessment within a reputable international bank/financial institution.
PROJECT FINANCE MANAGER/ASST MGR: 5 years experience in projects financed by IFIs.
PROJECT EVALUATION MANAGER: 5 years of expertise in IFIs covering institutional, economic,financial aspects of project cycle.
TRADE FINANCE MANAGER: 5 years of experience related to international trade financing.
PROGRAMS OFFICER: 5 years of analyst experience related to regional/country and sectoral programs.
TREASURY MANAGER/ASST MGR/DEALERS: 5 years of experience in international financial markets.
HUMAN RESOURCES MANAGER: 5 years of international experience in personnel management.
IT MANAGER: 5 years in bank related IT systems development and management.
FINANCIAL CONTROLLER/OFFICER: 5 years in international banking and finance.
ADVISOR: 10 years experience in international economic, financial and/or banking issues in governmental/international organisations. Experience related to the region is a plus.
ADMINISTRATION MANAGER/ASST MGR: 5 years of international experience in organisational/administrative field.
LEGAL ASST: Specialisation in International and Commercial Law. 3 years of experience. Stong academic background.
EXECUTIVE SECRETARY: University degree. 3 years of experience, preferably with IFIs. Excellent command of English.

- *Proficiency in both written and spoken English is a prerequisite*
- *Willingness to work in a multinational environment is required*
- *Nationals of Member and non-Member countries are eligible*
- *Duty station is Thessaloniki, Greece*

- **Applicants are advised to use our Standard Form available on web page: http:\\www.bstdb.gr and e-mail: info@bstdb.gr.**
- **Standard Form or C.V. must include two references.**
- **Applications must be received before August 21, 1998.**
- **All applications will be treated strictly confidential.**
- **P.O. Box 10111, 54110 Thessaloniki, Greece.**
- **Fax: ++30 31 286590 or ++30 31 222636.**

Emerging European Equities

West Merchant Bank Limited and Panmure Gordon & Co Limited form part of the international investment banking activities of the WestLB Group, a leading European banking institution and one of the largest in Germany with some DM600 billion of Group assets and current ratings of: Moody's Aa1, Standard & Poors AA+ and IBCA AAA.
The Equity Division of WestMerchant is currently in the process of developing its emerging European equity capability focusing primarily on Russia, Romania, Poland and Hungary. As part of this expansion, we are seeking to build up our Research team.

Emerging European Equities - Hungarian Analyst

The London based Analyst will work as part of a small team developing primary and secondary market business in Hungarian equities, as well as providing in-depth expert analysis on EEM regional chemical and pharmaceutical equities.
Applicants must have a relevant degree, excellent communication skills in written and spoken English and Hungarian and a minimum of three years' experience with a leading Investment Bank. A proven record of analysing the chemical and pharmaceutical sectors in the region and a thorough understanding of the issues affecting these sectors in the emerging markets of Central and Eastern Europe is essential.

Competitive packages including bonus and full benefits are available for the successful candidates.

Please send a CV with salary details, quoting ref. 98R082 to Diane Tissera - Personnel Manager at West Merchant Bank, 33 - 36 Gracechurch Street, London EC3V 0AX

WestMerchant

Wanted : an experienced highly-qualified Financial Director.
Requirements: good skills of European accounting, English/Russian, dynamic, sociable. Work and accommodation with the family in Moscow. Favourable terms.

Resume by fax: + 7 095 234 0665.

You are impressed by Singapore's telecommunications infrastructure.

Now join the company which created it.

Investment Manager/Investment Analyst

Singapore today is recognised for its outstanding telecommunications infrastructure by the World Competitiveness Report, an achievement that is due in no small part to Singapore Telecom. Corporatised in 1993, we are ranked the largest company outside of Japan in terms of market capitalisation. With S$2 billion invested in 52 joint-ventures in 21 countries, we are well-placed to make an impact at the forefront of global telecommunications.

In line with our strategy to look beyond our geographical boundaries for our continuing growth, we have vacancies for Investment Manager and Investment Analyst in the International Finance Group to work with the business development team to provide financial support for new investment projects.

The Role
You will provide timely and relevant financial analyses to the Management in order to assist in the review, selection and development of existing and new investments. You will also handle in-depth financial analyses of new investment opportunities, which will involve building and analysing financial models. Other roles include liaising with our business units to assist with the establishment of appropriate accounting and internal controls during project implementation, and putting forward recommendations to optimise investment restructuring.

The Requirements
You should be a graduate in your late twenties or early thirties with strong finance and economics background, with at least 5 years' experience in a large consultancy, in the corporate finance function of a major investment bank or in the merger & acquisition department of major companies. Knowledge of the telecommunications industry is preferred. You should also be a committed team player with excellent interpersonal and leadership skills. To succeed, you will need to have initiative combined with sound analytical judgement and good business acumen.

These roles present a unique opportunity for an independent and mobile financial professional to enhance his/her analytical and financial management skills in a high level management support role. An attractive and competitive salary and benefits package together with great opportunities for career development within the company will be offered to commensurate with the qualifications and experience of the successful candidates.

Please apply in confidence with full career details, salary history, and a contact telephone number, together with a recent non-returnable photograph to:

The HR Director
SINGAPORE TELECOM
25th Storey, Comcentre, 31 Exeter Road, Singapore 239732
Fax: (65) 235 3015

Email: hropns@singnet.com.sg
Website: http://www.singtel.com

All applications should reach us by 31 July 1998
We regret that only short-listed candidates will be notified.

Singapore Telecom

Senior Research Executive

Private Client Investment

Mature Individual **City**

Unusual equity research opportunity.

THE COMPANY

- Asset management and private client arm of a major international group.
- Flat management structure, highly collegiate approach.

THE POSITION

- Research function key, producing not only overall investment strategy and advice, but also specific ideas and information to help sell the firm's services.
- Apply international 'macro' view as well as bottom-up fundamental research on individual stocks.

QUALIFICATIONS

- Significant equity research experience.
- Confidence and personality to sell ideas internally and develop relationships with significant clients.
- Comfortable in role which is effectively part analyst, part fund manager, part financial journalist.

Please send full cv, stating salary, ref LG200230, to NBS, 54 Jermyn Street, London SW1Y 6LX
Fax 0171 491 0447 Email markp@nb-selection.co.uk Tel 0171 493 6392

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MANAGER–INTERNAL AUDIT

London

Our client, one of the world's leading Securities Firms is currently seeking an outstanding individual to join It's Internal Audit team based in London. The Internal Audit group provides local support to the business units and Firm Management to design and maintain a high level of control in a range of technically demanding locations.

To succeed in this highly challenging and demanding environment, the successful candidate should be keen to develop a long term career in the internal audit environment and be able to demonstrate the following areas of technical expertise:

- Extensive experience of internal audit within a global investment banking environment
- Complex financial product exposure such as Fixed Income derivative products
- Thorough understanding and interpretation of the current regulatory environment in the world's key financial centres.

In addition, candidates should fulfill the following criteria:

- Qualified Chartered Accountant with at least 6 years relevant post-qualification experience with a "Big Six" firm
- Excellent first degree in a business-related discipline
- Experience of managing highly motivated and changing teams
- High level exposure to business units and external auditors
- Be able to think strategically and creatively
- To have worked in a regional location.

Flexibility, motivation and impact are of prime importance in determining success in this role.

A generous banking package commensurate with qualifications and experience is available. To apply, please send a covering letter and CV, quoting ref2205 to: the Response Management Team, Associates in Advertising (AIA), 5 St. John's Lane, London EC1M 4BH. Closing date: 5th August 1998.

Applications will only be sent to this client, but please indicate any organisation to which your details should not be forwarded.

EASTERN EUROPEAN ANALYST

Global emerging markets investment management is a key business area for Old Mutual Asset Managers. The role of Eastern European analyst has been recently created and will be a key supporting role in the fast-growing emerging markets team.

The position involves:

- Building country model portfolios through extensive company analysis.
- Working closely with the economics team to provide macro-economic analysis.
- Providing input to the asset allocation committee on both sector and country decisions.

The ideal candidate

- Will be a numerate graduate.
- Should speak one or more Eastern European languages.
- May have some work experience in financial markets.
- Should have an understanding of Eastern European culture.

The company

- Old Mutual Asset Managers is the UK subsidiary of a major international financial services group with over US $50 bn under *management*.

Please respond in writing to:
Hilary Wakefield
Old Mutual Asset Managers (UK) Limited,
5th Floor, 80 Cheapside, London
EC2V 6EE

OLD MUTUAL

STANDARD & POOR'S

Editor - Banking

Paris Based

Standard & Poor's Ratings require an experienced Editor for its Financial Institutions Group in Paris.

You will be responsible for overseeing all articles prepared for electronic services and print publications, notably *Creditweek* and its CD-ROM product *Credit Analysis Reference Disc (CARD)*. You will work with *analysts in Europe and, within the editorial team, liaise with colleagues in other offices, in particular New* York, to ensure the highest content quality, writing style and design.

Apart from at least five years' writing and editorial experience, preferably obtained via a business/finance related publication, with English as the mother tongue and fluency in French, you must have a strong technological knowledge, including Microsoft Windows. A degree in journalism, or a business/finance subject, would be advantageous, as would knowledge of other European languages.

We offer an attractive compensation package that will fully reflect your skills and experience.

Please write with a full CV and current salary details to: Isadore Ryan, Editor, Standard & Poor's, 21-25 rue Balzac, 75406 Paris Cedex 08, France.

A Division of The McGraw-Hill Companies

LEADING US INVESTMENT BANK
O.T.C. FX SALES

A position has arisen for a motivated individual who will have an established history in OTC FX Sales, and proficiency in pricing OTC FX products.

The candidate should have a broad knowledge of all foreign exchange derivatives. European languages an asset.

Applications should be sent to:
Box ???, Financial Times
One Southwark Bridge
London SE1 9HL

COUNTRY RISK ANALYST

City Emerging European and African Markets £ Excellent

This leading international bank has a strategic commitment to developing its emerging markets business founded on the highest quality research and analysis.

The Role

- Head a core team of 4/6 country risk and industry analysts.
- Deliver high quality, strategic research and analysis to marketing and credit divisions.
- Guide strategic business development through ongoing refinement of risk evaluation.

The Candidate

- Accomplished leadership and communication skills.
- Seasoned analyst with 3-5 years proven experience with a bank, supranational, or rating agency.
- Commanding technical skills encompassing full spectrum of credit scoring and modeling.

Please send a full CV & Current salary details to K.P.M Search Consultants 2-4 Botolph Alley London EC3R 8DR

K.P.M.

For the attention of: Martin Davies & Roger Parker kpmsearch@aol.com Fax: +44 (0) 171 929 3808 Tel: +44 (0) 171 929 8100

ACCOUNTANCY APPOINTMENTS

Fixed Income Product Control

Tokyo **$ Excellent Package**

Our client is one of the world's premier investment banking organisations, headquartered in New York and with operations worldwide. Due to the repositioning of their Asian business, they are seeking a high calibre professional to manage the Fixed Income Product Control function for the Asian region, to be based in Tokyo.

Reporting to the Capital Markets Product Controller in Tokyo, this position presents an excellent opportunity for a professional, experienced candidate to manage and add value to this function across the region.

Supporting the Fixed Income business from a financial perspective, the individual will have managerial responsibility for daily profit and loss production, analytical and risk reporting surrounding this and monthly reporting on this business area.

Candidates should have a thorough knowledge of the fixed income markets from a product control perspective, have strong technical skills with extensive experience within foreign banking and brokerage industry. Particular product skills will include a strong knowledge of fixed income derivatives and capital markets generally.

The individual will be a strong manager and be diplomatic in dealing with the cultural issues which may arise in such a position. Most importantly though, the candidate must have excellent interpersonal skills, a high level of professionalism and be able to liaise confidently at all levels within the company and on an international scale.

The person must be committed to being in Tokyo and developing the business there for a significant period of time.

The ability to speak Japanese fluently would be an advantage, however, more important is the candidate's commitment to the Tokyo operation on a longer term basis, which is essential.

Interested candidates should forward their curriculum vitae in confidence to James Rushworth at Michael Page International, 50 Cannon Street, London EC4N 6JJ, fax 0171 329 3426, telephone 0171 269 1848 or e-mail: jamesrushworth@michaelpage.com

Michael Page
INTERNATIONAL

Australia · China · France · Germany · Hong Kong · Italy · Netherlands · New Zealand · Spain · Singapore · UK · USA

Committed to quality, speed and creativity

Outstanding opportunities with the world leader *UK and Germany*

GE Capital is the world's largest and most successful diversified financial services company, generating more than 40% of GE's total global revenues. Forecasting European earnings in excess of $1 billion by the year 2000, GE Capital acquired 30 European businesses during 1997, maintaining a consistent annual growth rate of more than 20%.

GE Capital's performance is fuelled by an unyielding commitment to GE's core values, including an open, dynamic culture that encourages quality, speed, creativity and a hatred of bureaucracy. Its meritocratic environment provides an exceptional learning opportunity where success is rewarded both financially and by rapid promotion and individuals are able to move across business and functional boundaries to develop their career internationally.

One of GE Capital's fastest-growing European businesses, Consolidated Financial Insurance (CFI) provides niche insurance services, capturing more than 40% of the UK market since it was founded in 1991. Committed to GE's drive for Six Sigma quality, CFI's continued growth has created a number of opportunities for highly-motivated finance professionals keen to pursue a career within GE.

Senior Financial Analyst
Working closely with business leaders, reviewing product and operating performance, leading strategic reviews and quality projects. London-based, requiring leadership skills and a professional finance qualification combined with 2 years' commercial experience.

Financial Controller, Germany
A high-profile role, central to the success of CFI's developing German business. Working closely with operational and sales teams, developing the systems necessary for winning and retaining business and dealing with reporting, forecasting and budgeting issues. Fluency in German and English essential.

Operational Finance/Process Improvement
Qualified Accountant required for finance role requiring a change-orientated mindset and the ability to initiate, lead and drive finance-related quality projects within CFI. Based at the European Centre in London but working on a pan-European basis. Substantial travel.

Financial Analyst
Newly/recently qualified ACA or equivalent. Providing analysis and accounting support to the Controller and senior management on a range of financial, systems and quality projects as well as the provision of monthly financial information. London based.

Candidates for all these positions should possess excellent technical and communication skills. In particular, they must be open to change, committed to excellence and possess high levels of energy, ambition and enthusiasm. In return, the potential rewards in GE's global meritocracy are outstanding. Success in these roles could lead to exceptional career opportunities anywhere within GE's global operations.

To apply please post or fax your CV quoting ref: 290, giving details of current salary package, to our retained consultants Alderwick Consulting Ltd., 95 Fetter Lane, London EC4A 1EP. Fax (+44) 171 242 3560. For more information please call (+44) 171 242 9191 (weekdays) or (+44) 1480 477437 or (+44) 171 624 5683 (evenings and weekends). Any CV sent direct to GE Capital will be forwarded to Alderwick Consulting Ltd.

** Trademark of General Electric Company, U.S.A., which is not connected with the English company of a similar name.*

GE Capital Consolidated Financial Insurance

GE is an equal opportunity employer.

Recruitment Net.Works The FT IT Recruitment section is also available all week on www.FT.com

هكذا من الاصل

FINANCE DIRECTOR
High Growth Pharmaceutical Group

Northern Home Counties — Six Figure Package

Our client is a global, research based pharmaceutical company which has experienced a period of consistent, rapid growth over the last decade. It is now one of the most successful pharmaceutical groups in the world, employing over 22,000 people. The UK business is based on manufacturing, sales, distribution and marketing, across sites that produce a revenue in excess of £400 million. The basis of its success is the investment in new products and product development initiatives that have successfully positioned the group as market leader in some key, core categories.

THE POSITION

- Reporting to the MD, responsible for the finance function of the UK business including financial control, treasury, governance, planning, budgeting and contract negotiations. Manage and develop a sizeable finance team.
- As a key member of the management team of the UK business, pro-actively contribute to the future development and shaping of the operation, ensuring it executes its commercial strategy to meet its growth objectives.
- Ensure effective systems and procedures are in place to produce timely and accurate financial and management information to assist the decision making processes. Raise the profile of the financial function, communicating its ability to add value through the support it provides.

QUALIFICATIONS

- Candidates should have a minimum of 8-10 years post qualification experience gained in leading sales and marketing led organisations that have undergone significant change and are highly rated for the promotion of best practice principles. Experience of the pharmaceutical sector would be advantageous.
- Self-starter with drive, enthusiasm and commitment to deliver. Team building approach with hands-on management style.
- Intellectually bright with the presence and gravitas to contribute at a senior level. Commercially mature with highly developed communication and interpersonal skills.

Interested candidates should write, enclosing full career and current salary details, quoting reference 2471 to the advising consultants Julie Gilgrist or Sharon Glenaway, Consumer Division, Questor International, 3 Burlington Gardens, London W1X 1LE. Tel 0171 292 8300, Fax 0171 287 5457, e-mail: gail@questorint.com

QI
QUESTOR INTERNATIONAL

Taxation Manager

Paris — FF Excellent

Our client is one of the largest companies in the world dedicated to providing computerised transaction processing, data communications and information services. They continue an impressive expansion record and have undertaken a number of important acquisitions in Europe resulting in worldwide turnover approaching US$5 billion. The global taxes team is based in the US with key personnel throughout Europe. They wish now to recruit a Tax Accountant (Manager level) to be based in the Paris office.

Reporting to the VP, International Taxes the role will include:

- Review of tax returns prepared by French entities.
- Assisting in the development and implementation of the accounting and tax systems.
- Tax planning and advisory work on transactions.
- Effective communication and attendance at management meetings.

Suitable candidates are likely to be trained accountants with 3-5 years tax experience. You should have an understanding of both French accounting procedures and of the impact of taxes internationally.

The position requires excellent communication skills as well as the ability to converse fluently in French and English.

The role offers a high degree of autonomy in a dynamic business that is growing by acquisition, and offers a stimulating varied and rewarding work environment.

If you are interested in this position please send your CV to Charles Ferguson at Michael Page Taxation, Page House, 39-41 Parker Street, London WC2B 5LN, or telephone him on +44 (0) 171 269 2244, fax +44 (0) 171 831 6662.
e-mail: charlesferguson@michaelpage.com

Michael Page
TAXATION

Australia - China - France - Germany - Hong Kong - Italy - Netherlands - New Zealand - Singapore - Spain - UK - USA

Finance Director

Nr Bristol — to £55,000 + Car + Benefits + Relocation

Our client, a multi-site retailer with a network of over 90 stores nationwide, is a well known household name. The business is a wholly owned subsidiary of a leading multi-national Plc and has made healthy profit contributions to the group since it was acquired in 1979. Group turnover in 1997 was in excess of £4 billion.

Reporting to the Managing Director and, functionally, to the Divisional Finance Director your main objective will be to provide sound financial and commercial support to senior management and to maximise company profits and optimise cashflow. You will direct and lead a 100 strong team and will be constantly striving to add value and enhance the performance of the finance area, building on existing levels of financial control and exploiting MIS capabilities.

You will manage the consolidation of half year/year-end results, assist in the business planning process and prepare financial appraisals for any new projects. The role will also encompass some general administration duties.

A professionally qualified accountant with no less than five years post qualification experience, you will currently be based within the retailing sector and will be accustomed to a fast paced 'change' environment.

Capable of taking and influencing commercial decisions in a demanding business, you will be self confident, operationally focused and a clear communicator, at ease with building key relationships outside of finance. A proven man manager with developed coaching skills, you will have experience of guiding and managing people at all levels and will have a high degree of systems literacy.

In return, the group will provide excellent long term career progression.

Interested candidates should apply in writing enclosing a curriculum vitae to Kathryn Roberts, Michael Page Finance, 29 St Augustine's Parade, Bristol BS1 4UL. Fax 0117 927 6509, quoting reference WNTN.
e-mail: kathrynroberts@michaelpage.com

Michael Page
FINANCE

Australia - China - France - Germany - Hong Kong - Italy - Netherlands - New Zealand - Singapore - Spain - UK - USA

NSPCC
Head of Finance

Central London — c £40,000

The National Society for the Prevention of Cruelty to Children (NSPCC) is the UK's leading charity specialising in child protection and the prevention of cruelty to children. The NSPCC has an annual income of over £50 million and, supported by the generous efforts and contributions of thousands of people across the country, provides a wide range of services to 6,000 children every day.

The Head of Finance has a central role to play in the continued success of the NSPCC, managing a diverse range of financial activities at a time of increasing demand for child protection services and the launch of the biggest appeal in the NSPCC's history. Reporting to the Director of Finance and managing a team of 16, the main responsibilities of this key post are:

- Playing a lead role to ensure compliance with all external reporting requirements (e.g. SORP and subsidiary companies).
- Promoting, monitoring, maintaining and improving financial management systems.
- Analysing and interpreting actual financial performance.
- Providing forecasts and projections to accurately identify the implications of both current and future NSPCC strategies.
- Ensuring that effective accounting and control systems are in place.

The successful candidate will be a qualified accountant with proven experience at senior management level. Excellent interpersonal skills and the ability to manage people effectively at a time of change are essential as is a hands-on approach. An understanding of the Charities Act 1993 and SORP requirements would be an advantage.

Interested candidates should write, enclosing their CV and details of current package, to Matthew Morris at Michael Page Finance, Page House, 39-41 Parker Street, London WC2B 5LN. Fax 0171 831 6293.
e-mail: matthewmorris@michaelpage.com Please quote ref 425074. The NSPCC is committed to equal opportunities. Registered Charity Number: 216401

Michael Page
FINANCE

Financial Controller

c £45,000 + Car — Basildon

GE Power Systems is a world leader in the design, manufacture and service of gas, steam and hydroelectric turbines and generators for industrial power providers in over 119 countries.

As part of General Electric Company which generates revenues of $90 billion and employs some 270,000 people worldwide, GE Power Systems reached record revenues in 1997 of $7.5 billion and invested more than $250 million in programmes, joint ventures and acquisitions to meet growing customer needs in an increasingly competitive deregulated energy industry.

GE Power Systems is supported in Europe by the Apparatus Service Division based in Basildon, a centre of excellence fully equipped to handle the repair, service and support of GE Power Systems entire installed base of high technology power generation hardware.

As Financial Controller, reporting to the Finance Director GE Power Systems Europe, and as a leading part of the management team, responsibilities will include:

- Providing critical commercial support to the Site Operations Manager.
- Full financial control including financial planning and analysis and treasury.
- Proactively develop the relationship with US Headquarters.
- Deputise for Operations Manager.

The ideal candidate will be a graduate-calibre qualified accountant who can demonstrate a strong commercial and operational track record combined with the ability to thrive in one of the world's largest and most acquisitive multinationals. Individuals who have worked in a [illegible] hi-tech environment will be of [illegible].

Interested candidates [illegible] comprehensive CV [illegible] remuneration, quoting [illegible] 477 to Nicky Bin[illegible] at [illegible], Centurion House, [illegible] London Road, St Albans, Herts [illegible]. Fax 01727 8[illegible]16.
e-mail n[illegible]@michaelpage.com

GE Power Systems

An equal opportunity employer

"Trademark of General Electric Company, U.S.A., [illegible] the English company of [illegible]

Treasury Manager

Package to attract the best — West London

GE, of the United States of America, is one of the largest and most respected companies in the world. With revenues of more than $90 billion last year, it is an international leader in each of its 12 businesses from Medical Systems and Lighting to Financial Services and Aircraft Engines. The group co-ordinates its European foreign exchange and cash management operations through a centralised Treasury in London, one of the largest operations of its type in the country.

The FX Consultancy Group was established in 1998 to provide value added strategy support to GE's European industrial businesses. Progress is excellent and we have ambitious plans for the future.

This is a high profile role interfacing with business CEO's, CFO's and Commercial Managers delivering support, guidance and recommendations on foreign exchange exposure and risk management.

The visibility of this role ensures that progression need not be limited to Treasury or mainstream Finance.

GE is committed to recruiting, developing and retaining the best global brains to ensure its success in the 21st century. This job is an excellent opportunity for a successful 'A' player to join us.

Suitable applicants will be graduates with appropriate professional qualifications and a minimum of three years treasury or banking experience. Key personal characteristics will include a passion for excellence, self-confidence with good communication skills, leadership and [illegible]. Whilst a second European language would be an advantage it is the strength of personality that will differentiate the successful candidate.

If you are interested in this position, please either telephone our adviser, [illegible] on 0171 269 2255 or write to him enclosing a full CV to Michael Page Treasury, Page House, 39-41 Parker Street, London WC2B [illegible] 0171 831 6662.
e-mail: michael[illegible]@michaelpage.com

GE International

An equal opportunity employer

"Trademark of General Electric Company, U.S.A., [illegible] the English company of [illegible]

FINANCE DIRECTOR

c. £100,000 plus bonus and benefits — SURREY

Established in the mid 1980's, our clients' growth can only be described as explosive. Now a publicly traded Fortune 500 company, it is the world's largest supplier of non-production goods and services to many of the world's leading multi-national corporations. Having completed in excess of 250 acquisitions, the company now boasts annual revenues of $4bn+, operating in over 700 locations in 10 countries. The UK operations were established in 1996 and have grown dramatically through strategic acquisition. The new and highly entrepreneurial UK management team are currently in the process of integrating the operations into a single quality driven business and now require a commercial finance professional to play a pivotal role in the further development of the group.

The Position

- Reporting to UK Managing Director, quickly become seen as the second-in-charge of the UK operations, with functional report to the Executive Vice President, Finance in the US.
- Develop and retain a 'world-class' finance team, ensuring the company's finance strategy supports its business objectives.
- Develop and improve all aspects of financial control, management reporting, budgeting, treasury and taxation.
- Play a lead role in further developing IT as a management tool.
- On a broader scale, act as an 'agent of change' and contribute to the ongoing commercial development of the UK operations.

The Requirements

- Graduate calibre, customer focused ACA with a minimum of 10-12 years' industrial experience in a product based organisation.
- Demonstrable leadership skills. Capable at both strategic and operational levels with a passion for improving business and its processes.
- Commercially astute, customer oriented and decisive. Possessing sound business judgement.
- Skilled in managing change, both in the focus of the accounting function and the perception thereof within the organisation.
- Resourcefulness and flexibility harnessed to a healthy work ethic and a 'can-do' mentality.

Please send your CV with current salary details to: David Burton, K/F Selection, 252 Regent Street, London W1R 6HL quoting ref: 05584A/04.

Alternatively send by fax on 0171-312 3380 or by e-mail to kfs-london@kornferry.com - Internet Home Page: http://www.kfselection.com

K/F SELECTION
A DIVISION OF KORN/FERRY INTERNATIONAL

FINANCIAL DIRECTOR

FTSE Top 20 PLC

Salary £100,000+, Bonus, Excellent Benefits & Generous Share Options — ***M3/M4***

For a multi £100 millions, fast growing subsidiary of a top PLC with a reputation for excellence.

• **THE TASK** is to provide a commercial perspective to the operating board whilst managing fast growth and the acquisition and integration of companies. The responsibility is to run the sizeable finance and credit departments efficiently and professionally and to produce management and financial information with crystal clarity and great accuracy.

• **THE REQUIREMENT** is for a qualified accountant, preferably from a blue chip business-to-business environment, who can demonstrate commercial, managerial and financial success. A self starter with energy, commitment and excellent interpersonal, negotiating and planning skills is essential. The ability and ambition to run a business in a few years would be an advantage.

Write in confidence, enclosing a Curriculum Vitae and details of current remuneration package, quoting ref: T8578 to:

TYZACK SELECTION

TYZACK SELECTION, 8 HALLAM STREET, LONDON W1N 6DJ. FAX: 0171 631 5317. E-mail: tyzack.selection@accordgroup.co.uk

Substantial £ six figure salary + bonus & options | Global Media Group | London

Chief Financial Officer

Exceptional opportunity to join a market-leading Nasdaq-listed global media company with a market capitalisation of some $750 million. Pivotal role at the strategic and commercial heart of a business, headquartered in London, which is active worldwide. Working closely with the Chairman and CEO of this dynamic group, providing first-class financial support for further rapid growth.

THE ROLE

- Reporting to the Chief Executive, playing a key business and commercial leadership role within the top team of the group.
- Making a significant input to group strategy; handling integration issues from past and future acquisitions; providing first-class communications with the external financial community.
- Directly responsible for a small central finance team and fully accountable for the functional quality and performance of the finance teams in each business unit.

THE QUALIFICATIONS

- An accountant or MBA with first-class intellect who has run an exemplary finance function, preferably in a divisionalised structure with autonomous business units. Familiarity with US GAAP an advantage.
- International commercial and strategic experience including the USA and Continental Europe; ideally from an industry built on intellectual property and creative skills. First-class communicator inside and outside the company.
- The cultural fit is vital: informal, entrepreneurial, non-bureaucratic and non-hierarchical. A true team player with a strong and robust personality, capable of thriving in a fast-changing and exciting environment.

Leeds 0113 230 7774
London 0171 298 3333
Manchester 0161 499 1700

Selector Europe
Spencer Stuart

Please reply with full details to:
Selector Europe, Ref. TJV/26986-4/78,
16 Connaught Place,
London W2 2ED

BURMAH CASTROL

c. £90,000 package + excellent benefits | Swindon

Finance Director

Internal promotion provides a superb opportunity to join this well-regarded £3 billion FTSE multinational as Finance Director of the Construction Chemicals business, a highly profitable international £135 million turnover business targeted for rapid growth. High profile commercial role on the multicultural management committee of a service-led industrial business. Excellent group career opportunities.

THE ROLE

- Report to the Managing Director and a key member of the Executive team making an active and broad contribution to the strategy and development of the business.
- Provide direction and advice to the 27 operating companies worldwide with close links to the group, in particular corporate treasury, IT and supply chain functions.
- Key member of the Executive team with responsibility for the identification, evaluation, completion and integration of international acquisitions.

THE QUALIFICATIONS

- Graduate accountant, mid 30s, technically excellent with a fast-track career progression in a progressive blue-chip multinational which has included operating company and ideally transnational experience.
- Analytical ability and commercial acumen to interpret trends and issues in a service and supply chain-led business. Experience of dealing with remote business units.
- The presence and authority to lead and communicate at all levels, within different cultures and with clear potential for career advancement. Prepared to travel.

Leeds 0113 230 7774
London 0171 298 3333
Manchester 0161 499 1700

Selector Europe
Spencer Stuart

Please reply with full details to:
Selector Europe, Ref. PHR/28326-1/78,
Gladstone House, Redvers Close,
Lawnswood Park, Leeds LS16 6QY

Extend our success across the Channel

European Accountant

£35k - £45k + excellent benefits | City

Hiscox is one of the most respected and successful insurance groups at Lloyd's. We have a gross premium income of over £440 million and an outstanding reputation. To build on these advantages, we are expanding into Europe and need you to take responsibility for the financial accounting of our new offices in Paris, Munich and Amsterdam.

Reporting to our Financial Controller, you will prepare the offices' statutory accounts and regulatory returns, and take the lead in developing and maintaining our Sun Accounts general ledger systems, which cover expenses budgeting, recording and monitoring procedures. There will also be some fascinating project work.

If you are a results-oriented Accountant, you will relish this opportunity to make your presence felt. The tight deadlines you will often work to, call for flexibility, self-discipline and close attention to detail. You must be qualified and have a strong financial accounting background encompassing a good knowledge of G/L systems, financial modelling and reporting using MS office or a similar system. If you have general insurance experience then so much the better. It would also, obviously, be an advantage if you were fluent in French, German or Dutch, especially as you will regularly travel to all three of European offices.

As you would expect, we are offering excellent rewards. They include BUPA, a non-contributory pension plan, free sports club membership and a discretionary bonus.

So, if you are ready to extend your success across the Channel with us, please send your CV and current salary details, plus a hand-written covering letter to Sally Collinson, Human Resources Department, Hiscox Insurance Company Ltd., 52 Leadenhall Street, London EC3A 2BJ. The closing date is Friday 24th July 1998.

HISCOX
INSURANCE COMPANY

EMI

IT Audit Manager | Central London | £50,000+ Car + Benefits

EMI Music is one of the world's leading music groups with a truly global spread of businesses and an outstanding portfolio of superstar recording artists including Blur, Radiohead and Robbie Williams. The group is now highly focused with a dynamic management team committed to maintaining the group's market position in the world-wide music business. The company culture is fast-paced, competitive and highly entrepreneurial.

The London based head office is now seeking to appoint an exceptional IT professional to its corporate audit team. Reporting to the Senior Director of Internal Audit, USA and Worldwide Information Technology, the role has primary responsibility to provide the business with candid, objective and accurate reporting of the status of IT controls and system development projects worldwide, including thorough detailed analyses and specific impact driven, value-added recommendations. The role will span all business activities and provide exposure to the company's worldwide operations, with up to 75% international travel.

The opportunity will appeal to an outstanding graduate IT professional possessing an MBA/CISA or other finance/accountancy qualification. Candidates should exhibit a good working knowledge of AS/400, UNIX, Client Server and LAN technologies. Essential attributes include the ability to liaise with senior management coupled with outstanding verbal, written and presentation skills. The successful candidate will also be required to demonstrate strong analytical and problem solving skills, the intellectual capacity to generate, absorb and apply new ideas and the ability to execute practical business solutions. Applicants must be capable of working within a creative/artistic environment and have a hands-on, relaxed but professional style.

In addition to an attractive basic salary, benefits will include a company car, Central London parking and and a large company benefits package. This is an outstanding opportunity to develop an international business career with a world class company.

Interested applicants should write to or telephone, in the strictest confidence, David Craig or Justin Dünner at Walker Hamill Executive Selection, forwarding a brief résumé quoting reference DC4635.

WALKER HAMILL
103-105 Jermyn Street
St. James's
London SW1Y 6EE
Tel: 0171 839 4444
Fax: 0171 839 5857

FINANCE DIRECTOR

OUTSTANDING MBO OPPORTUNITY

RAPIDLY EXPANDING RETAILER

c£70,000 + CAR + SIGNIFICANT EQUITY STAKE | NORTH WEST

Our client is a successful, rapidly expanding and highly profitable discount retailer operating in the North West. Continuing growth and ambitious expansion plans have created the need for an articulate, highly professional, clearly focused Finance Director who can join the Board and help achieve flotation within three years.

The role has a broad commercial remit including responsibility for IT strategies together with the development of rigorous financial controls and reporting sy stems. You will work c Chief Executive and the other members of the management team in planning and developing the business both organically and through new store openings and acquisitions.

Your ambition and enthusiasm will supplement first class communication skills, professionalism and integrity. Adept and confident in managing change, you will be a qualified accountant, probably mid 30's upwards and you must possess an exceptional record of achievement in a retail or trading environment ideally with a major household name. Experience of corporate finance would be a further advantage.

This exceptional opportunity provides excellent career prospects and, by including a significant stake in the equity of the company, the potential exists for considerable capital growth.

To apply, please send your CV in confidence quoting reference 7070 to Stuart W J Adamson FCA at Adamson & Partners Limited, 10 Lisbon Square, Leeds LS1 4LY. Tel: +44 (0) 113 245 1212.
Fax: +44 (0) 113 242 0802.
E-Mail: stuartadamson@adamsons.com

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LGC

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Finance Director

South West London

Negotiable salary & equity potential

LGC is the UK's leading provider of chemical and biochemical analysis, research and consultancy to clients in the private and public sector. Following an MBO in 1996, the company has exciting plans for growth from its current £20M pa turnover.

We are seeking a commercially focused Finance Director to join an experienced Board and enthusiastic and able management team. Reporting to, and working closely with, the Chief Executive, your key tasks will include:

- providing board level expertise, analysis and guidance on all financial, corporate planning and acquisition issues;
- liaising with institutional investors, managing banking relationships, taking responsibility for legal, tax and contractual issues and overseeing compliance with corporate governance standards;
- ensuring that the finance function responds to the needs of this rapidly developing group through provision of timely information on which to base business decisions.

Candidates should be of graduate calibre, with an accounting qualification and have had experience at, or near, board level. Used to working with professionals, preferably in a technology-based company, you will lead in the culture change process involved in the rapid expansion of a science-based service organisation which was previously part of government.

Essential personal qualities will include energy and enthusiasm with strong leadership and motivational skills. This is a key appointment and will appeal to individuals who wish to contribute to the rapid development of a dynamic company and to obtain an equity stake in it.

Please send a full CV with a cover letter to the Chief Executive, Dr Richard Worswick, at the address opposite or direct fax: 0181 977 0741.

LGC is an equal opportunities employer.

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MANAGEMENT TEAM | Attractive Package

SECURITIES INDUSTRY OPPORTUNITIES

A rapidly growing and prestigious subsidiary of a leading Wall Street Investment Bank with an enviable record of achievement based upon unrivalled customer service is looking to increase its management team. The organisation is the pre-eminent UK supplier of brokerage and investment management services to institutional and private client stockbrokers; undertakes nearly 14% of the transactions on the London Stock Exchange; provides PEP administration, nominee, stock lending and discount brokerage facilities.

Opportunities now exist for 3 dynamic individuals. You should be organised and disciplined, have a good in-depth knowledge of the financial services industry, proven inter-personnel skills and an ability for practical problem solving. First class control and management reporting skills are essential.

- **MANAGER DIVIDENDS.** Responsible for processing dividends for a large number of clients. The ability to create and maintain an efficient and controlled environment through strong leadership and technical skills is paramount.
- **MANAGER UK SETTLEMENTS.** Primarily CREST settlement. A leading department within its field wishes to further improve performance through enhanced procedures, controls and leadership.
- **MANAGER CLIENT LEDGER CONTROL.** Accountancy background could be advantageous. Innovative with strong analytical skills and the ability to oversee project development.

If you believe you can contribute to the profitable and controlled growth of our business, please write and explain how you meet our requirements and enclose a CV that highlights your relevant achievements. Applications should be addressed to:

Box A6180, Financial Times, One Southwark Bridge, London SE1 9HL

Snr Accountants: A career change?

Business Consultants - Financial Software

London

up to £70,000 *package*

Our client is a US based market leader in the provision of financial, management reporting, enterprise budgeting and performance measurement analytic software applications.

As part of their continuing programme of expansion, they now seek a number of experienced finance professionals to work as Pre-Sales Business Consultants directly with clients in the UK, and based in London, internationally, via a network of distributors worldwide.

Key responsibilities will include:

- To provide consultancy expertise to enhance clients' business processes
- To support the sales teams to ensure effective delivery of software solutions
- To build and deliver customised demonstrations to exceed the expectations of clients
- To represent the company and its distributors at specific national and international marketing events

These roles offer a genuine opportunity to enter the IT industry at a senior level. You will be a qualified accountant, and have gained a minimum of five years' commercial accountancy experience in a large corporate environment with multiple cost centres. You will be highly technically literate, and have developed excellent verbal, written and formal presentation skills. You will also be able to demonstrate proven experience of influencing clients.

The roles working with distributors will provide a significant opportunity for international travel.

Interested candidates should write with full CV, quoting current rewards package to Sean Quinn, Technology Practice, Hoggett Bowers, 28 Essex Street, London WC2R 3AX, Tel: 0171 970 9600, Fax: 0171 936 3974, E-Mail: hb@psd.co.uk quoting ref: LSQ/17598/FT.

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Financial Times

IT Appointments

IT BANKING

RISK MANAGEMENT AND TREASURY SYSTEMS

● Project Managers ● Business Analysts ● Consultants ● Trader Support Analysts

A leading player in the banking and finance sector is seeking *to recruit talented and ambitious individuals. Recent growth* combined with new initiatives have led to the creation of a number of new opportunities within this organisation.

Trader Support Analysts will have at least two years' experience of working with a team, interacting with the trading and risk management areas including the development of systems or pricing analytical support.

Project Managers, Business Analysts and Consultants will have an excellent understanding of the range of instruments traded in the treasury and capital markets area as well as the technology, systems and packages implemented to support this business.

Currently with a bank, consultancy firm or software house, you *are involved with the analysis and definition of business* requirements as well as the recommendation, implementation and delivery of appropriate solutions.

You will have in-depth knowledge with recent experience of *implementing* and supporting solutions in one or more of the following areas:

- **Risk Management**
- **Derivatives**
- **Treasury & Capital Markets**
- **Securities & Fixed Income**

Well qualified academically with good interpersonal skills, you will be able to communicate effectively at all levels. A high degree of professionalism and enthusiasm with a delivery orientated approach is essential.

These positions will be well rewarded and if you are able to meet these challenges **please send your CV to Alan Summers *quoting reference FT0798 to: S&H Consulting Limited,* Lloyds Avenue House, 6 Lloyds Avenue, London EC3N 3AX. Tel (0171) 481 1171. E-mail – SHConsult@aol.com**

S&H Consulting Limited

Specialist Recruitment for the Banking and Finance Sector and the Suppliers to that Sector

Financial Systems Co-ordinator

Our client is one of the world's leading independent oil and gas companies with an enviable international exploration and producing portfolio. Its UK office has grown significantly due to phenomenal successes in its North African acreage. The company's first oil field began production in May this year and further developments are planned in the coming years.

They now seek to appoint a Financial Systems Co-ordinator operating as an integral member of the finance team. Responsibilities will include:

- Providing support and monitoring services for computer applications used for financial *and administrative functions.*
- Evaluating and selecting computer software requiring financial interface.
- Developing special reports from financial databases to support project management and other business needs.
- *Installing and operating software and reporting* tools and training end-users.

Ideally, candidates will have at least four years' computer systems installation, operation control and maintenance experience, in addition to a knowledge of computer programming languages, tools and databases for report generation. Experience with accounting requirements and systems for international oil and gas operations is highly desirable as is a knowledge of software packages for end-user reporting. A degree with emphasis in accounting, finance information systems or related subjects will be an advantage, as will the ability to speak French.

This is an outstanding opportunity for someone to develop their already successful career. To find out more please submit your CV including current salary details, quoting reference MD5954, to: Jerry Goldsmith/Mark Carriban, Macmillan Davies Hodes, Salisbury House, Bluecoats, Hertford SG14 1PU. *Tel*: 01992 552552. Fax: 01992 505301. E-mail: goldsmit@mdh.co.uk

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FIXED INCOME
Quants Analyst / Developer

Our client is a leading global investment bank, market activities include a strong presence in Fixed income and Equities. A significant expansion plan and strong commitment has been applied to the development of state-of-the-art quantitative models for pricing, hedging and valuing securities and derivative instruments.

A new opportunity has been created within the Fixed Income Division, this will involve developing new *systems for global pricing models and liaising extensively with sales people on the trading floor. Projects* are internationally orientated, therefore these may be some travel to New York, Tokyo and Hong Kong.

Ideally, you should possess the following attributes:

- ❑ 1 year's commercial experience
- ❑ A good academic background (PhD would be advantageous)
- ❑ Strong C and Unix skills
- ❑ Exposure to C++

This is a superb opportunity to enhance and develop in-depth knowledge of Bonds, Futures and Options products. A strong training structure is also in place to provide personal development, IT and financial market courses. If you feel you have a proactive approach, a sense of humour and can succeed in a challenging environment, please contact our retained consultants.

If you are intersted in the above position, please contact either Jonathan Leigh or Alex Blair quoting ref 0014

Huxley Associates
INVESTMENT BANKING
17 St Helen's Place, London EC3A 6DE

Tel: 0171 335 5890
Fax: 0171 335 0008
Email: job@huxley.co.uk

Business Analysts
Investment Banking

CITY **To £55,000 + Banking Benefits**

The leading European Investment Bank is currently searching for dedicated Business Analysts to work across a broad base of business areas within Financial Control (P&L Production). Candidates will be working closely with the production, reporting and analysis of P&L information provided to the area. Projects are essentially global and currently providing P&L reporting and analysis functionality for the Equity and Equity Derivatives product lines.

Key strategic aspects of these positions include: global systems, structured as well as OO analysis techniques and technologies including Sybase, Delphi, Business Objects, and P&L solution.

Critically, successful candidates will be directly responsible for interacting with senior business users in the tasks of defining and delivering single global P&L solution for multiple product lines. Therefore candidates should be from a true analysis background and able to assimilate and gravitate between teams on a business level. Prospective candidates should have solid business analysis experience and a keen desire to gain a thorough understanding of the tasks at hand and further their knowledge of the business of investment banking.

Ideally candidates would have a knowledge of Investment Banking processes from trading and settlement to G/L accounting and P&L reporting.

Candidates would currently be working for an investment bank, securities house or a major management consultancy with first class interpersonal skills and a need to achieve.

These positions are viewed as high profile roles within Financial Control and offer attractive remuneration packages including competitive banking benefits.

Please contact Danielle Lorenz

Huxley Associates
INVESTMENT BANKING
17 St Helen's Place, London EC3A 6DE

Telephone: 0171 335 5888
Mobile: 0468 175 002
Fax: 0171 335 0008
Email: d.lorenz@huxley.co.uk

BARCLAYS

SYSTEMS AUDIT OPPORTUNITIES

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You will identify risks faced by the business and ensure that the *appropriate levels of controls are in place to mitigate against them. This*

If you are interested in finding out more about these excellent career opport... Conan Bailey on 0171 419 0281 (evenings on 0171 394 0633) or send, fax or e... at FSS Financial, Charlotte House, 14 Windmill Street, London W1P 2DY. E-mail: cwb@fss.co.uk Please quote reference FT0170.

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FSS FINANCIAL

Field Technology Manager (Designate)

•Salary to £35,000 p.a. + benefits
•Based in Kent

If you are a graduate with at least two years experience managing customer relationships in an IT environment, we should be talking. Our Client is looking for an individual who wants to stretch their capability. *The working environment* is in the financial services sector and effective customer relationships are a priority.

This designate role is an exceptional opportunity to gain training and understanding of new technologies including NT, remote working and laptops. You will need to have excellent interpersonal skills, *enabling you to run productive* customer focus groups and workshops for end users. Your clarity of purpose will assist you in turning feedback into action.

For the first six months you will work alongside the present manager after which *you will become self-sufficient, forming* a crucial link between IT and the areas of the organisation which rely on Field Technology.

To register your interest, contact the Managing Consultant, Carol Mote on +44 171 240 1040 or send your résumé quoting reference number 5M67/1163 to Morgan & Banks PLC, Edinburgh House, Windsor Road, Slough SL1 2EE. Fax: +44 1753 570009 e-mail: c.mote@morganbanks.co.uk

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Regional Managers will:
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- have outstanding interpersonal and influencing skills;
- be Graduates with Banking experience;
- be fluent in English and ideally in a second language.

Product Consultants will:
- demonstrate a detailed understanding of solutions for Bank profitability and risk management;
- be able to develop and maintain relationships at a senior level throughout the client base;
- possess strong analytical and modelling skills;
- be Graduates with several years experience in an Asset/Liability, Risk Management; Profitability Measurement or similar role;
- be fluent in English and ideally be conversant in a second language.

To apply, please write enclosing a CV to Heidi Smith at IPS-Sendero, Imperial House, 11-13 Young Street, Kensington, London W8 5EH.

Alternatively, fax to (44) 171 938 2752 or e-mail to heidi.smith@ips-sendero.com

IPS Sendero